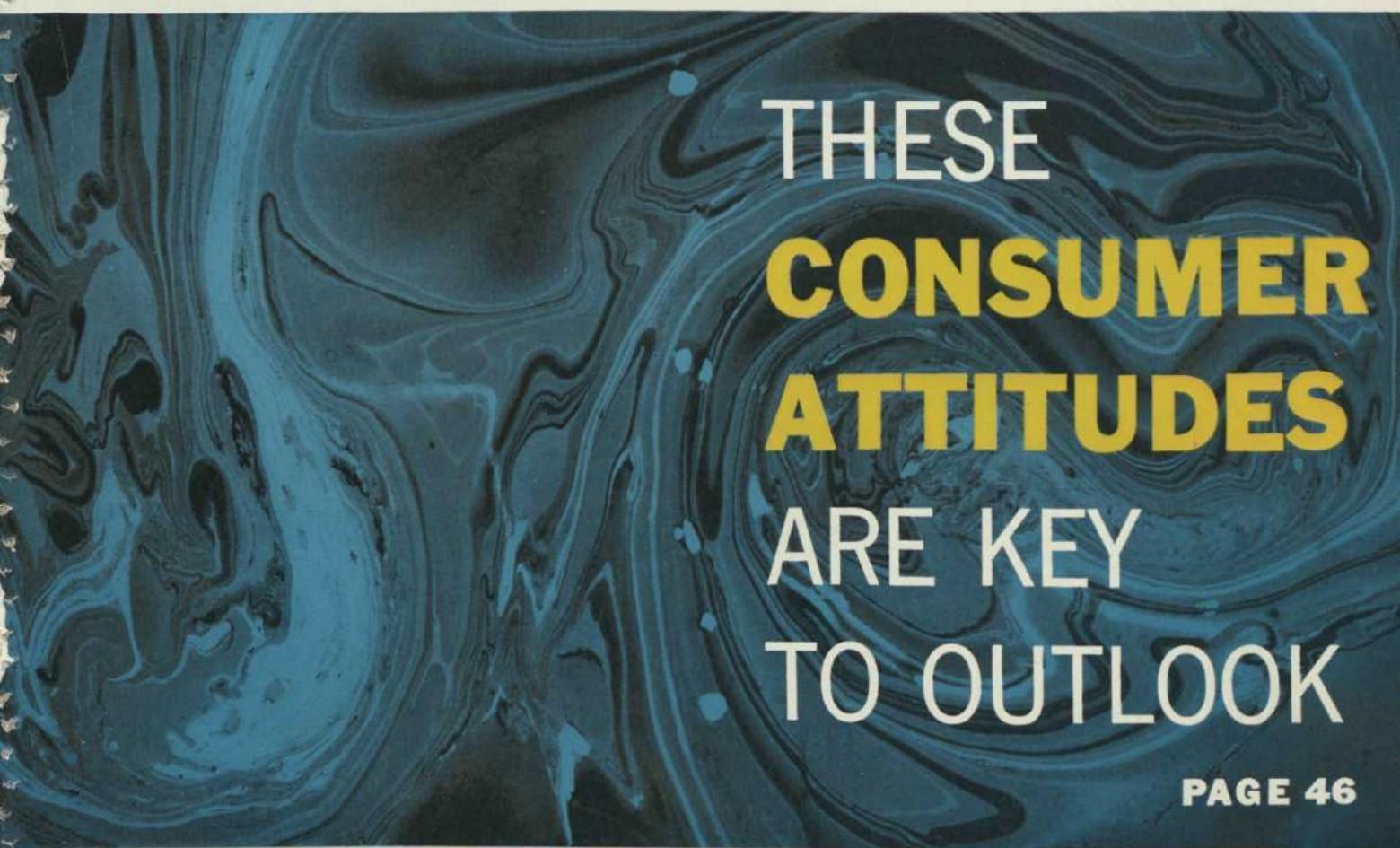


Nation's Business

A USEFUL LOOK AHEAD

AUGUST 1958



THESE
**CONSUMER
ATTITUDES**
ARE KEY
TO OUTLOOK

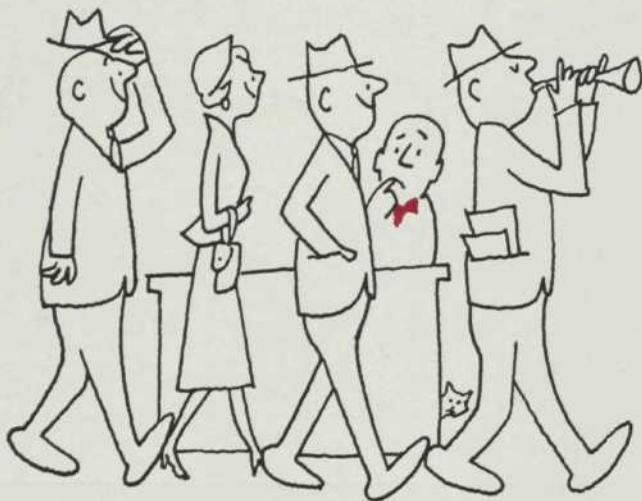
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How to enjoy your job **PAGE 34**

Coming: Revolution in management **PAGE 27**

This tax plan would boost business **PAGE 36**

Control your own success **PAGE 70**



1.

At first, Jim Thomson's dealership waxed fatter day by day.
Then one by one his key employees all were lured away
By larger firms with benefits to soothe employee tensions—
Group life and health insurance, major medical, and pensions.



2.

Poor Jim—his dreams lay broken. Was he doomed to dark defeat?
How could he ever hope to have a group plan to compete?
“I might as well throw in the sponge,” our hero sadly moaned.
A Travelers man arrived in time. “I’ll help you,” he intoned.



3.

“Now firms with ten* to twenty-four employees can award
The benefits that up to now just big firms could afford.
Group Life and Major Medical Insurance—Pensions, too—
Can all be part and parcel of a Travelers plan for you.”



4.

Jim’s fretful frown became a smile—he bought The Travelers plan
And since that day his company has never lost a man.
If you have workers numbering from ten to twenty-four
The Travelers has a plan for you with benefits galore.



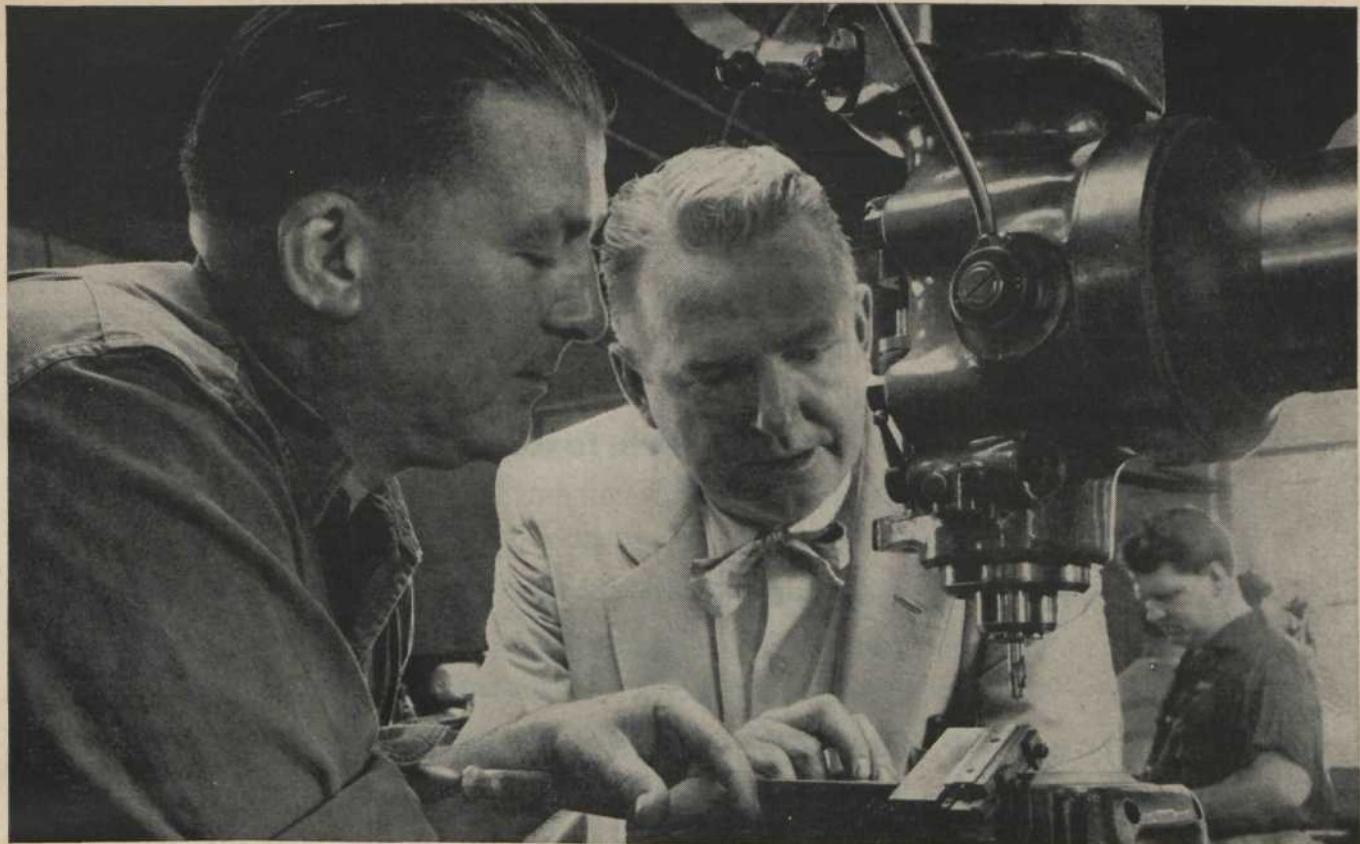
THE TRAVELERS

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**Minimum of fifteen employees required in Florida.*

All forms of business and personal insurance including Life • Accident • Group • Fire • Marine • Automobile • Casualty • Bonds



Walter Jenkins of Allentown, Pa., (left), whose business doubled since he became a Western Electric supplier, meets with W. E. purchasing representative.

IN 1958 WESTERN ELECTRIC WILL BUY \$1 BILLION WORTH OF SUPPLIES AND SERVICES

33,000 companies—mostly “small businesses”—will help us move forward!

Yes, *this year* we'll spend a billion dollars with the 33,000 suppliers who help us do our job of providing telephone equipment for the Bell System, and fulfilling our defense contracts with the government.

The money will go to every state in the Union for equipment and supplies manufactured by others that we buy for the Bell telephone companies in our capacity as supply unit of the Bell System . . . and it will buy raw materials, products and services needed by Western Electric factories in 26 cities where we manufacture equipment.

We expect the future to be bigger and better than the present—or the past. We expect this . . .

—because in a decade or less the U. S. population will have increased by some 30 million people.

—because people are appreciating more and more the convenience of having additional telephones.

—because American industry can't stand still—and to progress, industry relies on telephone service.

Nine out of ten of our suppliers are in the category of “small business” with fewer than 500 employees. They are located in 3,200 cities and towns in all of the states. In addition, transportation services are being provided by 3,000 other firms.

We need the help of these suppliers' special abilities in performing our own large manufacturing and supply jobs: providing dependable equipment needed by the Bell telephone companies to give ever-improving telephone service, at reasonable cost . . . and providing defense equipment and services called for by the government.

Western Electric

MANUFACTURING AND SUPPLY



UNIT OF THE BELL SYSTEM

Nation's Business

August 1958 Vol. 46 No. 8

Published by the Chamber of Commerce of the United States
Washington, D.C.

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Reckless government spending can do more harm than good; economy goals can still be met if we speak up against it

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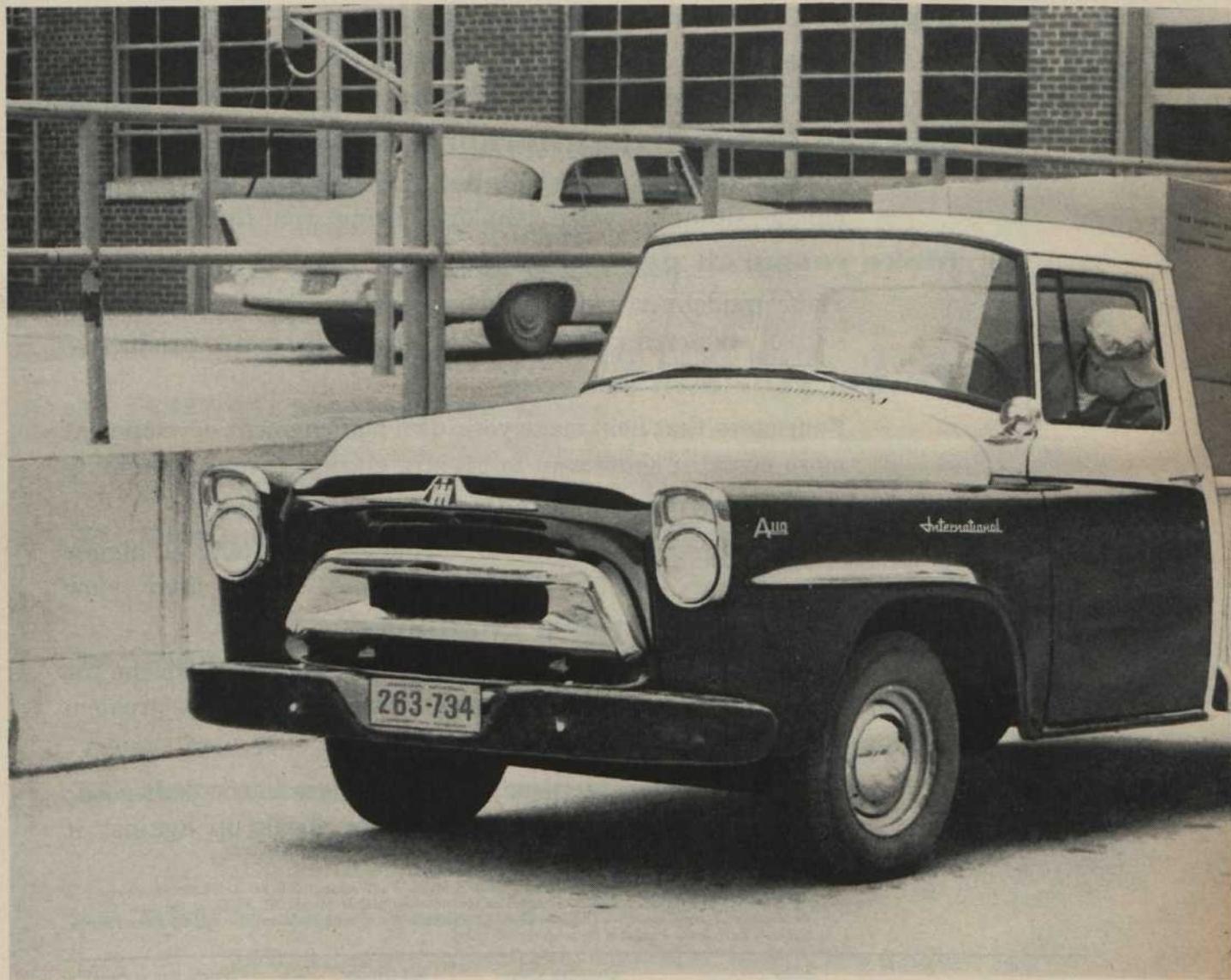
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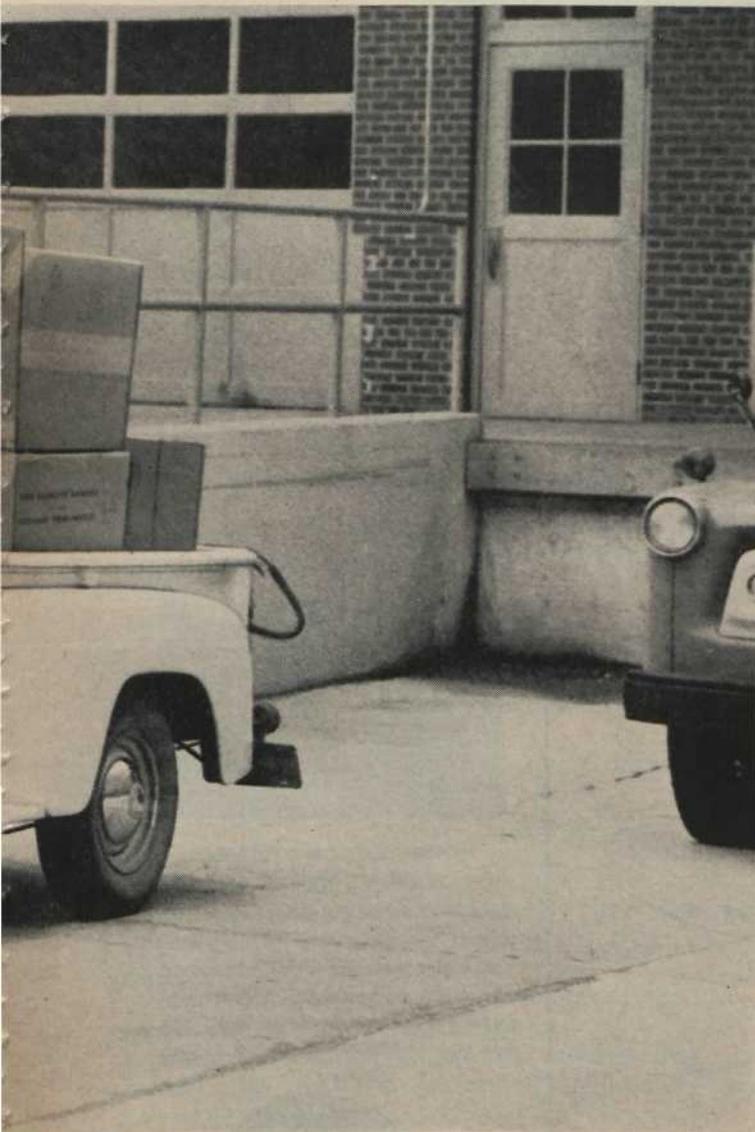
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management's WASHINGTON LETTER

►NEXT CONGRESS may be controlled by vigorous antibusiness forces.

That's forecast by analysts who watch every move on Capitol Hill, keep track of congressional trends.

If their speculation proves accurate, you can expect Congress in 1959 to move in direction of:

1. More government spending.
2. More business regulation.
3. Greater pressure for political tax relief--rather than tax reform.

►GOVERNMENT WILL LOSE INCOME two ways because of profit pinch.

During year ahead:

1. Treasury will collect less taxes from companies with lower earnings.
2. For companies that suffer losses some tax refunds will be made.

Example:

Company paid taxes on \$1 million earnings last year but expects to lose about \$500,000 this year.

Company's tax liability, therefore, will be averaged for both years through carryback provisions.

Result: Company will get back part of previously collected taxes.

►HIDDEN DATA SHEDS LIGHT on employment, unemployment situation.

In only 4 months these changes have taken place:

Unemployment of children age 14 to 17 has gone up 529,000.

Number of jobless children now numbers 801,000.

Of that total, 215,000 boys and girls are no older than age 15.

Another 3.2 million children do have employment.

At opposite end of the age spectrum, 139,000 persons age 65 and older are counted as jobless--44,000 of them are older than 70 years.

Another 1.4 million Americans age 70 or older do have employment.

Item: 845,000 of total unemployed today are between 14 and 17 years of age or older than 70.

►IT'S FASHIONABLE to make less profit this year--at least for some companies.

Profit authority explains:

In a year when company is expected to make less profit, some managers will

write off investment losses that have been postponed.

Example:

Company invested \$13 million in experiment over period of years.

Project failed. Loss is being written off during three quarters this year.

Result:

Profits will appear lower than they might have been if loss had been put off another year--as it was last year, year before.

Specialist comments:

"Managers don't get fired for failing to make money when nobody expects them to."

"It's when competitors are making profit that you've got to keep pace."

►SALES AND PROFITS STUDY shows this pattern for manufacturing companies:

To earn each new \$1 profit after taxes, companies now need to boost sales an average of \$29.

Year ago ratio was \$19.

Here's what study shows for specific industries:

Motor vehicles--\$27 in sales now will produce \$1 profit, compares with \$16 a year ago.

Aircraft--\$39 now, up from \$33.

Electrical machinery--now \$31, compares with \$22.

Metalworking machinery--\$59, was \$16.

Primary metal industries--\$23 now, up from \$13.

Textile mill products--\$224, was \$49.

Apparel, other finished products--\$140, was \$72 a year ago.

Chemicals, allied products--\$16 compares with \$13.

Petroleum refining, related industries--\$13 now compares with \$9 year ago.

Rubber products--\$34, up from \$23.

Study is based on newest profit survey by Federal Trade Commission.

►BLAME HIGHER COSTS and lower sales for profit drop.

Sales for companies studied are down about 9 per cent from year ago.

Costs and expenses are up from 90.6 per cent of total sales to nearly 94 per cent of sales.

►TOP GOVERNMENT ECONOMIST says:

"Over all, we've bottomed--we'll see

in a month or two how slippery the upgrade will be."

►HERE'S WHAT ECONOMIC analysis shows now:

Employment--number working is climbing, jobs in manufacturing up after year and a half of decline, total jobless expected to drop this month and next.

Personal income--rise of .8 per cent since February low, trend upward.

Weekly hours--average in factories is climbing, up 2.3 per cent since bottom in April.

Production worker earnings--at new high, weekly average is up 3.1 per cent since February.

Hourly pay--factory workers are getting \$2.12 average, 5 cents higher in a year.

Industrial production--up .8 per cent from April low.

Manufacturing new orders--2.5 per cent higher than February.

New housing starts--annual rate is up nearly 15 per cent from March rate.

Gross national product--4.1 per cent lower than peak reached last fall, but upswing is beginning.

Specialists look for gross product to finish year in a new climb.

Note: Percentages are small but trend upward is expected to strengthen.

Still trending downward are:

Gross private domestic investment--down nearly 25 per cent from peak reached in fourth quarter 1956.

Plant and equipment expenditures--down almost 20 per cent from top rate reached last fall.

Here's outlook:

Decline in private investment and in plant and equipment will be stopped next year.

►PERSONAL INCOME STUDY reveals hidden factors that influence selling.

Trends are these:

Total personal income soared to all-time top just a year ago.

Then it began slipping, bottomed out in February.

Trend now is upward.

That's total personal income.

But look at different parts that make up the whole.

Labor income--total is down 1.1 per

cent from February, now trending upward again.

Business, professional income--up only .7 per cent since February, slight rising trend indicated.

Rental income--exactly even.

Dividends--down .8 per cent, trending downward slightly.

Personal interest income--rate is up about .5 per cent, trend now about level.

On balance:

Nonfarm personal income is about .6 per cent higher than low reached in February.

Add farm income--it's up more than 3 per cent since February, up nearly 11 per cent in past year.

Additional category in total personal income picture is transfer payments.

This includes old age and survivors insurance, unemployment compensation, public assistance payments.

It's a key factor in sustaining high total income--up 21 per cent in a year, up half that since February alone.

These payments have doubled since '51, are now at record high.

In 12 months they've added nearly \$3 billion to economy.

Upward trend is expected to go on.

Meaning to business?

It's this:

Biggest rise is in kind of income that usually doesn't go for durable goods.

►ADD HIGHER COST of fringe benefits to your budget plans.

Item is rising faster than wages.

That's finding of new survey by U. S. Chamber's Economic Research Department.

In cents per hour, fringe benefits now cost 47.4 cents--a 21 per cent rise in 2 years compared with 13 per cent higher hourly pay rise.

Industrial average is \$981 a year per employee--up \$162 in 2 years.

Study also shows:

Cost now is 21.8 per cent of total payroll compared to 20.3 per cent at time of earlier study.

Complete study will be available this month from U. S. Chamber of Commerce, Washington 6, D. C., for \$1.

►BEWARE OF SETTING your long-term sights on basis of short-term sales

management's WASHINGTON LETTER

outlook. Fact is there's plenty of sales potential.

Consider hi-fi sets.

Only 4 per cent of American homes have them.

Manufacturers believe retail sales--slightly more than \$200 million in year just past--could reach \$750 million by 1963.

Other major products also have great potential for market expansion.

Look at air conditioning--44 million wired homes in U. S. don't have room air conditioners.

6.8 million wired homes lack TV.

39.3 million lack freezers.

42 million don't have dryers.

45 million lack food waste disposers.

1.6 million have no radios.

1.3 million lack refrigerators.

►GOVERNMENT DEBT PENDULUM is starting its other-direction swing.

Till now, income in calendar 1958 has outrun spending.

That swing is over.

For year's remaining months, outgo will exceed income.

Probable result:

Federal debt will inch up to all-time peak, is likely to pass previous peak (\$281 billion at War II's end) before snow flies.

Here's a forecast:

During coming six months Treasury will pay out at least \$12 billion more than it will have coming in.

By February, debt will be pushing close to \$290 billion.

There it will level off for about half a year during period when Uncle Sam's income and outgo will be approximately in balance.

After that--during fall of 1959--debt will begin a new climb, may reach \$295 billion by the start of 1960.

►COMMUNISTS ARE TRYING to plug a leak in the Iron Curtain.

An average of more than 700 persons a day is spilling out into the free world from Soviet East Germany.

Total who have fled from Red domination already exceeds 3.5 million.

That's through Germany alone--since Red pressure began at end of War II.

To stem this exodus, communists are

adding border guards, building watch-towers, have made crossing to free Germany a criminal offense, punishable as treason.

But Red efforts to stop the flow often backfire, serve to speed up exodus.

Here's a forecast:

Washington specialist on conditions behind Iron Curtain thinks 4 millionth person will slip across freedom border about Christmas time next year.

►LOOK FOR A DARK HORSE to beat world's first atom-powered merchant ship to the post.

Ship under construction at Camden, N.J., is due for launching in 1959.

But government is weighing possibility of putting a nuclear reactor in ship already built.

Dark horse is the 615-foot tanker American Explorer, launched April 11.

Ship scheduled for launching next year --the Savannah--will carry crew of 109, with 60 passengers, 9,340 tons of cargo.

Cost: About \$42.5 million.

It's scheduled to make a world good will tour in 1960.

Speed-up would put American Explorer on tour before that.

Note: Atom vessel could steam for 3 years without refueling.

►YOUR ORGANIZATION isn't just what you see on the organization chart.

Apart from formal structure, every business has its shadow organizations... called cliques.

For some sound advice on how to use cliques to your advantage, see page 50.

►WAGES ON WORK for government keep rising under Labor Department pressure.

Higher minimums which must be paid for work on government contracts are being set--

In soft coal, where Labor Secretary plans an increase of 50 cents an hour, to minimum of \$2.74 $\frac{1}{2}$.

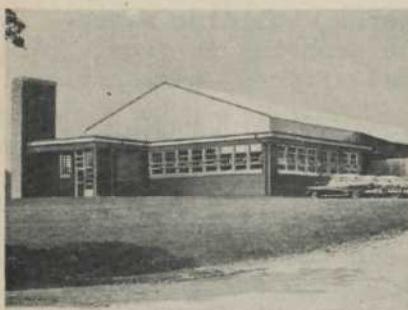
In flour products, with proposed minimum at \$1.30.

In fabricated steel products, now being considered, AFL-CIO wants bottom set at \$1.90.

Others being studied are:

Paper and pulp, aircraft, evaporated milk.

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Letters from businessmen

Outlook for 1960

The analysis of political prospects for 1960 by Edward Folliard in your July issue is both penetrating and astute. One additional thought struck me as being pertinent, and I take the liberty of suggesting it to you.

Mr. Folliard comments that Gallup polls demonstrate that Republican strength is lower than at any recorded point since 1936. Yet in contrast to the low Republican Party showing, Gallup poll trial heats between Mr. Stevenson and Mr. Nixon show the latter leading 53 to 47; between Mr. Kefauver and Mr. Nixon, the Vice President again leads 55 to 45. While the trial heat with Mr. Kennedy shows him running approximately even, it shows Mr. Nixon ahead in the North, Midwest and West, and running behind only in the traditionally Democratic South.

This record would seem to indicate why the Democrats really fear Mr. Nixon. They realize he is much stronger than his party and they do not have a candidate on the scene today who would be a favorite to defeat him.

J. PAULL MARSHALL
Washington, D.C.

Slaves and halos

Your editorial (July issue) reads "Let's End Slave Labor." Let us preface our remarks with the statement that we agree something drastic should be done about the goons that run the labor movement. At least \$1 million has been spent in connection with Senator McClellan's investigation to bring a lot of facts into the open. Now, if Congress will act properly on those recommendations, much of the mess can be cleared away. We all hope so.

On the other hand, we wonder if your own hands are so clean... you favor importing goods into this country that were made with slave wages and under conditions much worse than any existing over here, either in or out of unions. Just how can you wash a clean hand with a dirty one?

This . . . is a time for common sense to be displayed not only by

you . . . but by the members of Congress, to whom we have entrusted our right to decide what laws are and are not good for the country.

It seems to us that your halo is a bit off side.

There are several very fine and instructive articles in the July issue. Thanks.

L. W. ANDERSON
President,
Standard Plywoods Inc.,
Clinton, S.C.

Manpower idea

I have read and am still reading articles concerning the qualitative manpower shortage that exists in industry. In your recent article, "Manpower: What We Have—What We'll Need" by Prof. Eli Ginzberg, this theme is repeated. Like the weather, everyone seems to be aware of this situation but no one does anything about it.

Professor Ginzberg states that "Roughly 50 per cent of the brightest people of the country in terms of native endowment have never graduated from college." This I strongly believe. Therefore, a possible solution to our qualitative manpower shortage would be to find these people with native endowment and put their talents to productive use.

Next, then, follows the question: "How?" My suggestion is to form some organization which would serve as a matchmaker, somewhat like a Lonely Hearts Club, industrial style. It would match people possessing management potential with industries seeking same.

This could possibly be accomplished with the use of an electronic brain . . . to find men with management potential in a certain field and match them with industrial companies most suited to their talents, and vice versa.

A. J. ANTON
Personnel & Safety Supervisor,
The Ruberoid Co.,
Caledonia, N.Y.

CD and little men

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BEN R. CARROLL
Assistant Cashier,
The First National Bank,
Fort Worth, Tex.

►CD is Charles Dunn, Nation's Business artist and nationally known caricaturist.

What customers want

NATION'S BUSINESS is read quickly after it arrives at my office. It has a good format, your articles are well written and the subjects are well chosen. Now if you will find a way to make it easy to clip articles for future reference, you will "have it made" 100 per cent.

F. H. FABER
President,
Faber Advertising, Inc.,
Minneapolis, Minn.

As you know, many of your articles are of the permanent rather than temporary nature. I personally rip out these articles of "lasting value" and bind them in a notebook. What I am suggesting is that you print your articles complete, and in successive pages, eliminating the practice of starting them in the front pages and continuing them in the final pages. This procedure makes it virtually impossible for the reader conveniently to assemble complete articles.

DALE E. SHAFFER
Salem, Ohio

►We make available for reprint many articles—34 so far in 1958—and requests totaling 15,348 for 291,498 reprints have been handled since the first of the year.

Savings and loans

We note that in the paragraph in "Management's Washington letter" (June) relating to 541 Mutual Savings Banks survey, you have not mentioned the Savings and Loans Associations.

The Savings and Loans Associations have shown a remarkable increase of the percentage of deposits gained. In New York State alone we are proud of our growth of 9.44 per cent for the year 1957.

PAUL HARRIS
Columbia Savings and Loan Association,
Woodhaven, N. Y.

Why businessmen read

In my humble estimation these are some of the finest articles that are published month after month. After I finish reading them it seems I understand myself better.

HERBERT R. LALKA
South San Francisco, Calif.

I'm looking forward to receiving NATION'S BUSINESS monthly be-

cause I've enjoyed so much reading someone else's copy.

B. K. JOYNER
Richmond, Va.

Just received a copy of "How to Sell for Higher Profits." Think it is the best article for salesmen I have ever read.

RICHARD A. KORETZ
Adolph A. Koretz
Chicago, Ill.

I consider NATION'S BUSINESS the most helpful, best researched, and best conceived magazine in this field.

MRS. FREDERICK F. HORNE
Luxo-Mid-West,
Luxo Lamp Corporation,
Chicago, Ill.

Socialist trend

I picked up your April issue here in which Robinson Newcomb discusses "Boom Can Come Before You Know It." He pointed out the need to know what happened and what is happening on the business scene.

What happened is that we rushed into large-scale mass production before the foundations were laid for a sufficient area of demand, or principles formulated in support.

By trying to restore a regime in which laboristic abuses, management excuses and credit overextension dominate, with government aid sought in every emergency, we expedite the socialist trend and downgrade free enterprise.

Thus what happened, and what is happening, clarifies as we approach problems in the light of experience and sound economics.

The need for an "agonizing reappraisal" of economic relations is paramount.

WALTER SONNEBERG
Philadelphia, Pa.

Stimulating

I continue to find your magazine one of the most stimulating management magazines I read.

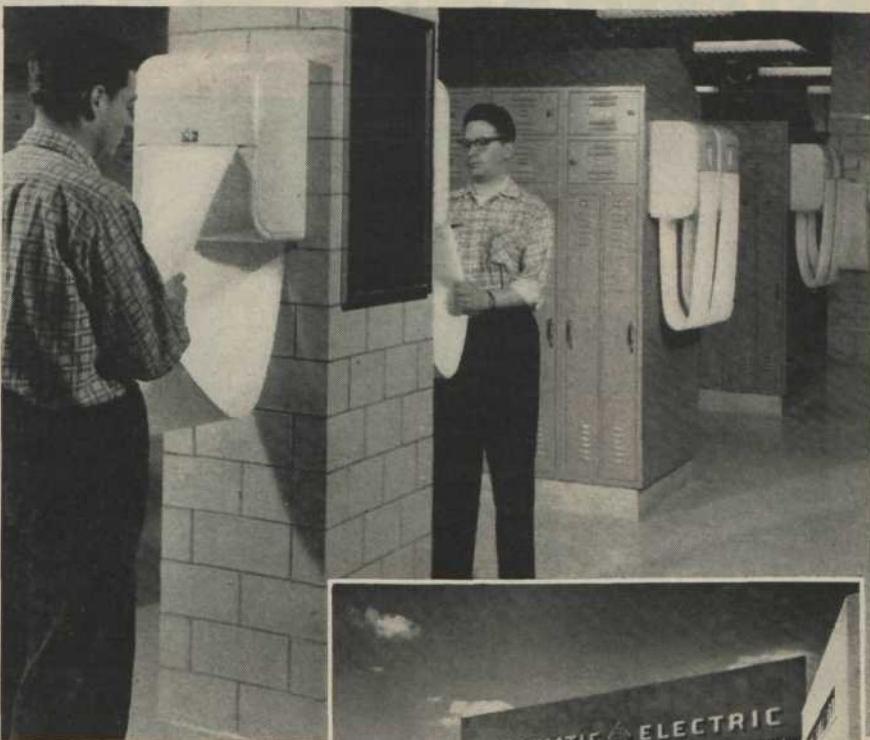
J. A. POMEROY
Convair,
Pomona, Calif.

Brain work

In your February issue the article, "Brainpower Tests Rate Executives," in part dealt briefly with memory and the clarification and storing of information. It was assumed this applied to the functioning of the subconscious mind and I am pleased to note that in April "Help Your Brain Work for You" admirably defines and expands on this important phase of the overall subject.

J. J. ROGERS
General Superintendent,
Pacific Fruit Express Company,
Houston, Tex.

COTTON* makes good connection with Automatic Electric



*Fairfax Towels used by Automatic Electric Company are supplied by Chicago Towel Company.

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Says LYLE E. YOST, President
Hesston Manufacturing Co.,
Hesston, Kansas



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*Official 1957 registrations show:

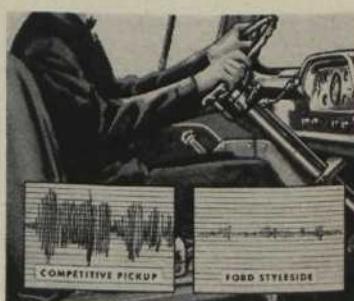
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V-8. There's longer truck life . . . independent studies prove that Ford Trucks last longer. And Ford's modern styling is a good advertisement for your business.

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to own **FORD** trucks

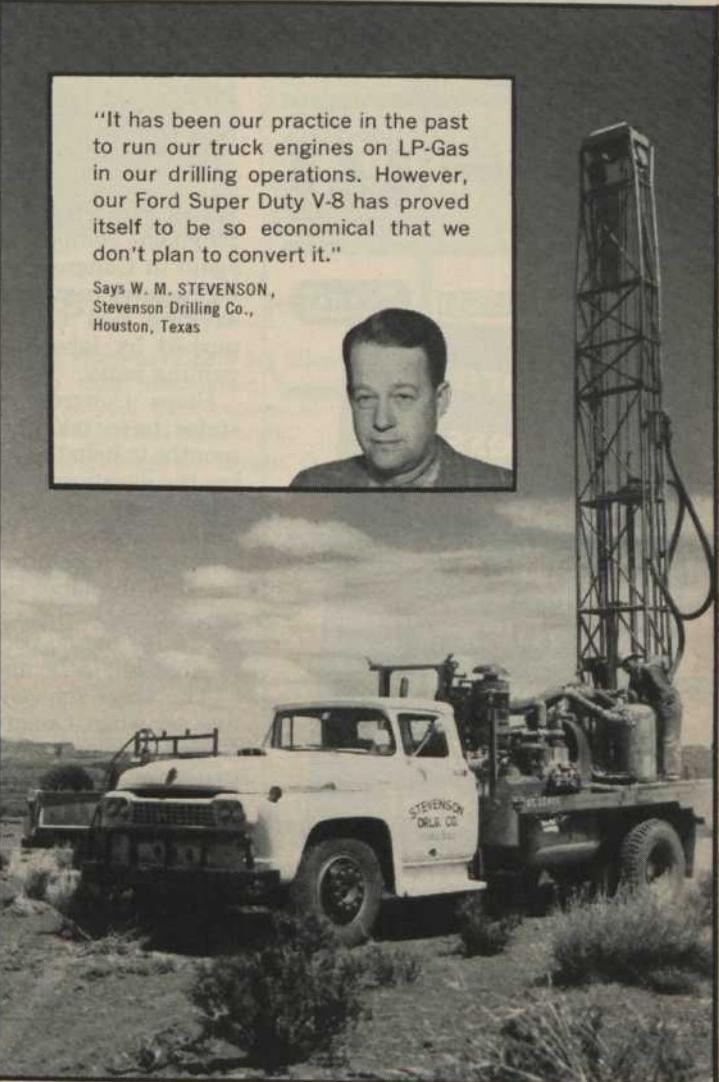
"Ford Trucks really stand up. We've never had a major overhaul on one. And because they are tops in trade-in value, we sell them every 4 years with a capital gain."



Says A. P. HURWITZ,
General Manager
Cudahy Packing Co., Denver Plant,
Colorado

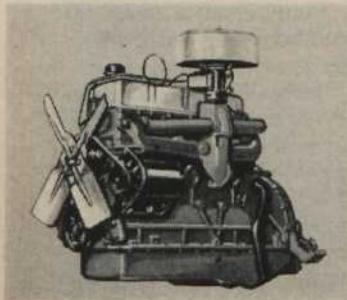
"It has been our practice in the past to run our truck engines on LP-Gas in our drilling operations. However, our Ford Super Duty V-8 has proved itself to be so economical that we don't plan to convert it."

Says W. M. STEVENSON,
Stevenson Drilling Co.,
Houston, Texas



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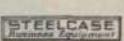
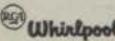
LESS TO OWN... LESS TO RUN...

LAST LONGER, TOO!

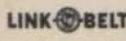
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✓ WATCH
THIS ISSUE

New fight ahead on jobless pay

LOOK FOR THE FIGHT over unemployment compensation to flare up again in Congress and in most state legislatures next year. Pay while not working will also continue to be pushed by labor unions as a bargaining issue.

Steps Congress and a score of states have taken in the past two months to help the jobless by extending the duration of weekly layoff pay settled nothing and were only temporary anyhow.

But the legislative proposals, the debates, the labor demands and the new federal and state laws pinpointed the issues and provided a preview of what might be ahead.

The stage for renewing the fight was set when Congress rejected the labor-supported proposals, and AFL-CIO President George Meany branded the Temporary Unemployment Compensation Act "the biggest legislative hoax ever perpetrated on the unemployed workers of America."

Under attack are the two basic principles of the original 1935 legislation on unemployment compensation. These were that:

- The program should provide partial compensation to an unemployed worker for loss of earnings over a short period.
- Except for a few federal standards, the states should run their own programs.

Through legislation and collective bargaining, however, the trend has been toward labor's objectives. These are to provide more of the unemployed with more compensation, over a longer period of layoff, and under a federal, rather than state, program.

The net effect has been to lessen the individual's incentive to get back to work and, in some instances, actually increase unemployment.

As an example, major unions in recent years have negotiated supplemental unemployment benefit plans (SUB). Under some of these plans a worker who is laid off may receive—in combined unemployment compensation and private supplement (both employer financed)—65 per

cent of his normal take-home pay for up to a year.

Customarily, when production falls off, unions try to get employers to shorten the hours and spread available work among all the work force instead of laying some off.

With SUB, however, there is less interest in spreading or sharing the work. Some unions have insisted that employers stick to a full schedule of hours and lay off as many employees as may be necessary to make up for the slack. That way, those who work draw full pay, less tax and other deductions, while those who are laid off draw 65 per cent of their normal take-home pay.

To some the pay loss may not be enough to make it more desirable to work than to stay home and go fishing. Being laid off may actually become attractive if unions succeed in increasing the amount of income while unemployed.

If that happens, older employees with accumulated seniority rights might rightfully question the merits of a system under which newer employees draw almost as much pay while not working as the more experienced ones do for working.

The chances of increasing the duration of unemployment compensation payments permanently have increased as a result of the temporary legislation. The number of weeks unemployed workers receive employer-financed state aid has increased steadily, with 26 weeks having become the maximum in half the states. Only Pennsylvania, with 30 weeks, and Wisconsin, with 26½, pay for longer periods.

The new, temporary legislation permits interest-free federal loans to states which wish to increase the duration of payments 50 per cent, or to a total of 39 weeks in many instances. Congress has appropriated \$665.7 million for this purpose and, early last month, 15 states and the District of Columbia had taken advantage of the offer. If the loan is not repaid in four years, the federal government will recoup the money through an increase in the unem-

ployment tax employers pay in the delinquent states.

Loans are arranged through agreements between the Secretary of Labor and state officials. There is a question, in at least some states, whether such agreements are legal without additional state legislation. Court tests are pending.

At least five states have chosen not to take any federal loan, but instead have amended their own laws to permit payment of the extended benefits out of state reserve funds. In fact, the relatively healthy condition of state reserves, and the availability of loans to troubled states under the permanent law, raised a serious question as to the desirability of the "emergency" temporary legislation.

During the first five months of this year, state reserves dropped \$973 million to a level of \$7,689 million. In only Alaska and three states had the reserves dropped low enough to qualify for loans under the existing law.

Loans obtained under the new legislation must be used to extend the duration of benefit payments to individuals who exhaust them between July 1, 1957, and next April 1, when the law expires.

Pressure will be put on Congress and state legislatures next year to make the increased benefits, as well as other liberalization, permanent.

The labor-backed Kennedy-McCarthy bill that the Senate rejected provides a good indication of what organized labor and leading Democrats will push for in the next Congress. This bill, for the first time, would have imposed on the states federal minimum standards, as to the amount and duration of benefit.

Payments would have had to be at least half a worker's weekly wage (but not more than two thirds the state's average weekly wage) for not less than 39 weeks.

The bill also would have forced the states to extend coverage to small businesses employing as few as one employee. This would have added about 1.9 million employees to the 43 million now covered.

Eighteen states now voluntarily cover all businesses employing one or more, although since 1954 the federal statute has required coverage only of those businesses employing at least four. Originally it was eight.

Experience rating, under which employers get a tax benefit for stable employment, would have been weakened.

These changes would bring the original federal-state concept of unemployment compensation another step toward full federalization. END

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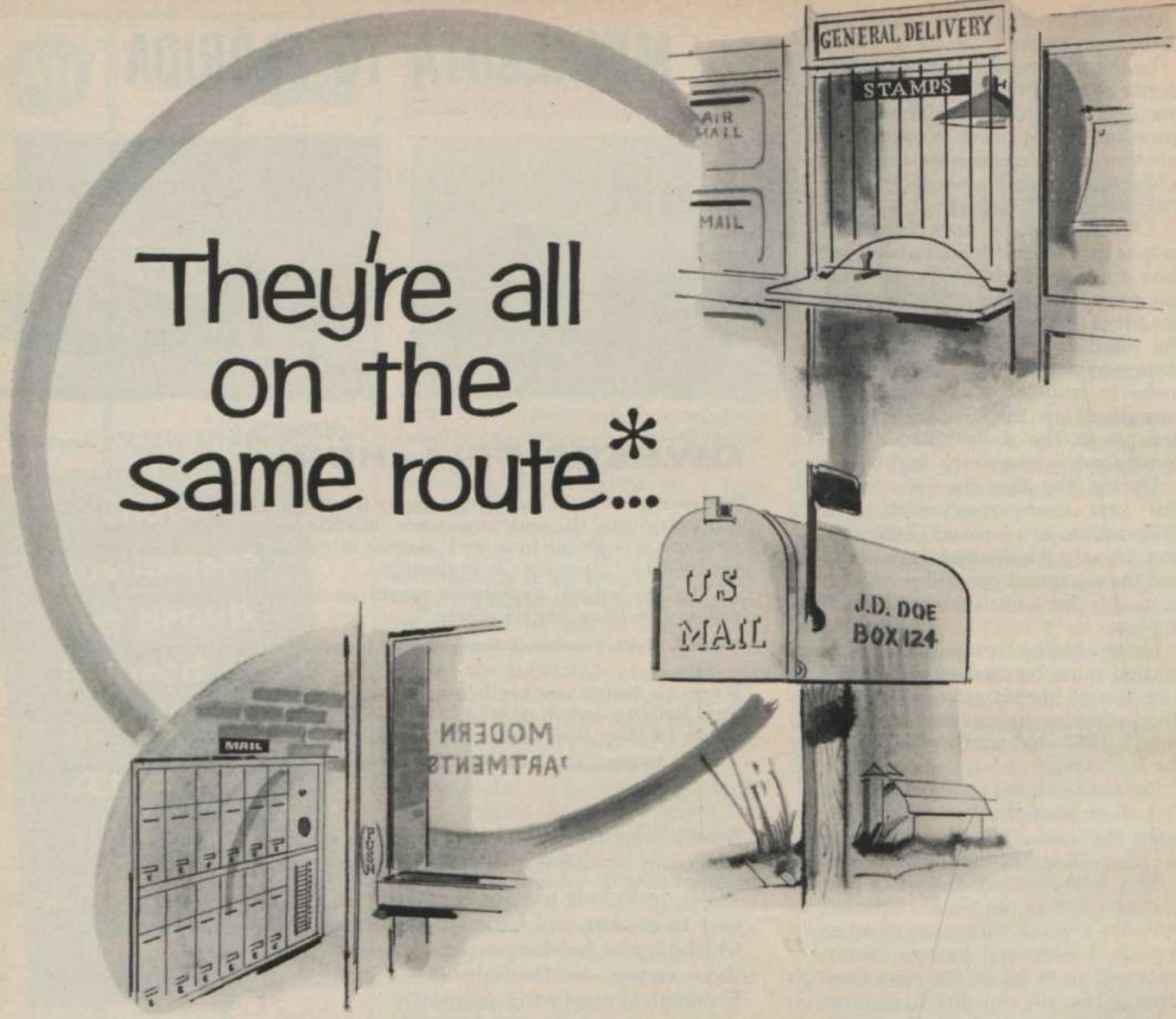
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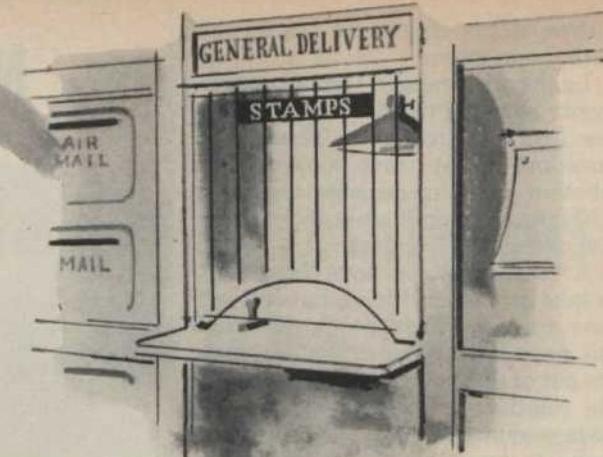
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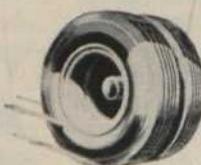


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AMERICAN TRUCKING INDUSTRY

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THE SHORTEST DISTANCE BETWEEN TWO POINTS IS A TRUCK LINE

The state of the nation

The strain on government ethics increases about every six months

IN THE OFFICIAL Directory of the Eighty-fifth Congress, now approaching its close, an entire section of 54 pages is devoted to a catalog of "Independent Offices, Agencies and Establishments." There are currently 74 of these, not counting any of the numerous subagencies which are responsible to their parent bodies.

Just 10 years ago, as listed in the Congressional Directory of the Eightieth Congress, the total number of these federal agencies was 55. Over the past decade, therefore, the net increase has been 19. Since one has actually been eliminated in this period, the rate of increase is a new agency every six months.

• • •

All of these agencies are not of equal importance. One finds the "Government Patents Board," with only six executive officers, taking alphabetical precedence over the "Housing and Home Finance Agency." Yet the latter enumerates no fewer than 128 Administrators, Commissioners, Coordinators and Directors, counting their various Deputies, Assistants, Special Assistants and Special Assistants to Assistants.

In one fundamental respect, however, every agency in this proliferating bureaucratic jungle is identical with every other one. Each was established by Act of Congress, to do a specific job which is more or less outlined in the authorizing legislation. All are consequently subject to continuous congressional supervision, which necessarily becomes more extensive as the number of federal agencies increases. To handle this responsibility both the Senate and House have in recent years established their respective committees on Government Operations and the two chambers together have organized the Joint Committee on Reduction of Nonessential Federal Expenditures. In addition, a number of special subcommittees have been set up for particular investigations.

Of these the House committee on Legislative Oversight is currently most famous, for the lurid light which it has thrown on the friendship between Bernard Goldfine and Sherman Adams.

Continuous legislative supervision of executive agencies is demanded by the American system of representative government. It is the more essential today because of the enormous power these agencies have come to wield. Under the generally broad terms of its originating statute each of them is indeed largely "independent." The typical agency establishes its own rules of procedure, conducts its own hearings and prosecutions, lays down its own regulations to which all who come within its sphere of authority must conform. In the aggregate, billions of dollars are handed out annually by these agencies, but in return there must be acceptance of their controls.

As the number of these agencies mounts, and as

By Felix Morley



SMITH-BLACK STAR

each expands its activities and augments its staff, the difficulty of charting a course through this labyrinth of bureaucracy also increases. This is true both for those who are seeking financial aid and for those who are threatened because they have failed to conform with some regulation. In consequence, people who know the ropes in Washington have become steadily more important to all who have dealings, voluntary or involuntary, with what has come to be known as the government. Usually what is meant by this term is only the autonomous executive agencies, so it is not surprising that Congress thinks it time to emphasize that it, too, is an essential part of the government.

Many important developments, by no means altogether healthy, trace directly to the growing number and complexity of executive agencies. One of these is the change in the character of lobbying. It is, of course, a natural part of the democratic process that any group of concerned citizens should seek to influence government in behalf of its particular interests. In days gone by this attempt to influence was concentrated on Congress, either to promote or defeat pending legislation. Sometimes the pressure worked; sometimes it failed. But either way the congressional lobby was a relatively open and wholly controllable procedure. The individual legislator could be held to strict accountability, whichever way he voted, by his constituents, at the next election.

Lobbying in Congress is by no means extinct. But that which has developed around the executive agencies is now far more important, as well as much more intricate and secret. In the agencies one single appointed official, identifiable to very few, usually has the final say as to whether a grant shall be made, or a prosecution dropped. His action, however, is taken anonymously—in the name of the agency itself. Decision is not made after open debate, with a recorded vote.



This change in the character of lobbying has resulted in placing a huge premium on close acquaintance with insiders. The business man who has a friend high up in an executive agency derives a real advantage from this friendship, not because of any influence definable as improper but often merely because a natural answer to a natural inquiry can clear away the frustrations which are normal in dealing with bureaucracy at arm's length. It was this advantage of the inside track which led to the outcropping of five percenters during the Truman Administration, something which that former President forgets in denouncing

"lack of ethics" in the White House now. Actually, since President Eisenhower took office, the five percenters have faded out. Their methods were too blatant, too unscrupulous and too dependent on the venality of officials for success. A consoling part of the problem is that few federal officials are venal. Those who can be actually bribed are not only rare, but also do not last long in office. The great majority of our bureaucrats are unquestionably conscientious and responsible men, imbued with a real sense of public service and unswayed by either fear or favor.

But, unfortunately, official honesty is not enough. The problem is fundamentally one of government, not of ethics. For it roots in the increasing authority, complexity and number of executive agencies. These are the factors which make it increasingly helpful, if not indeed essential, to have a friend in court. These are the factors to which any solution of the problem must be addressed.

The gifts to officials which periodically make the newspaper headlines are certainly sensational. They are, however, only a surface symptom of the real disease, which is our topheavy and hypertrophied bureaucracy. Indeed it is questionable whether the gifts themselves can successfully be attacked as unethical, since the sense of gratitude from which they spring certainly is not. A dozen roses to the wife of an official who has given a word of friendly advice is surely pardonable. And from roses and candy and lunches to mink and vicuna coats is a matter of grading, not of morality.



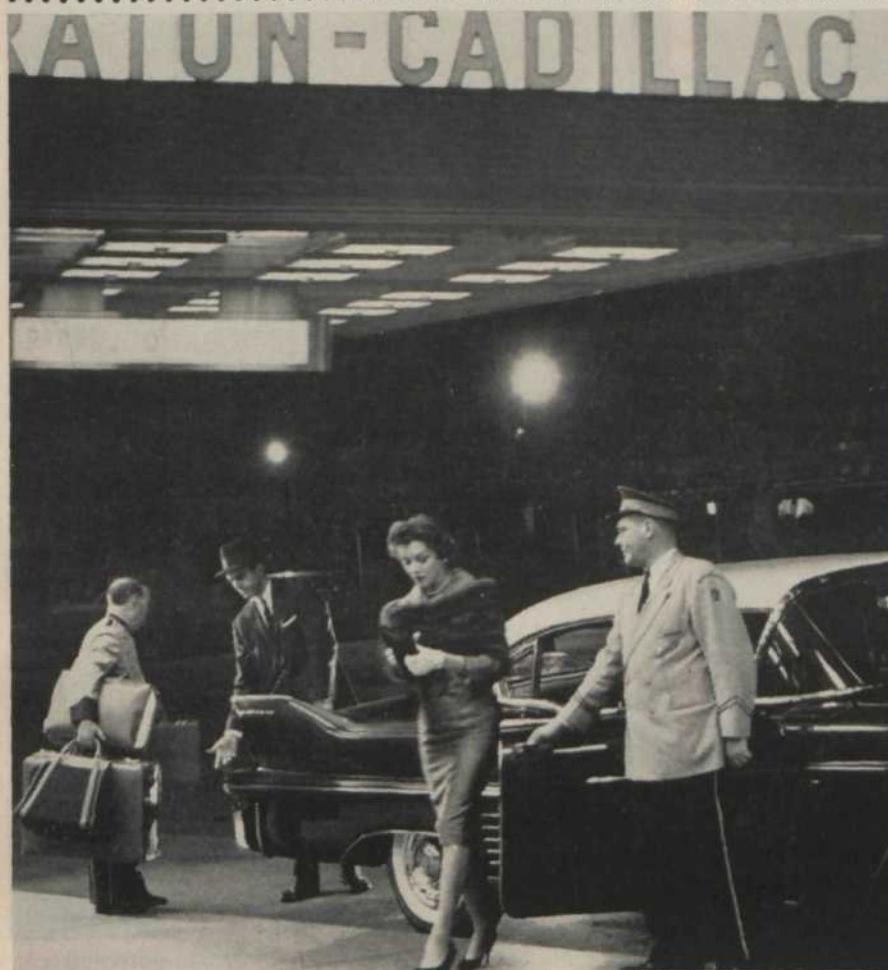
These considerations, it should be emphasized, are wholly apart from the case of Sherman Adams or any other official, of high or low degree, who has been rightly or wrongly pilloried. But they are very much to the point in regard to the report which the House Committee on Legislative Oversight will eventually make.

That report, designed as a basis for legislative action, can waste time and paper on essentially secondary criticism of individuals. Or, even in an election year, it can rise above political prejudice to diagnose the real disease, which is the essentially corrupting nature of the socialistic state. The bigger and more embracing our Washington bureaucracy becomes, the more certain it is that a relative handful of shrewd manipulators will profit from its complexity.

No punishment of individuals will solve this problem. Neither will it be solved by making the Small Business Administration permanent, which is at bottom only a pathetic effort to open channels of influence for the little fellows. The one real solution is to start cutting down the choking jungle of executive agencies, instead of adding to them at the rate of a new one every six months.

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DETROIT, MICH.

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Washington mood

President's past 12 months have been most harassing of his term

THE WORLD SITUATION being what it is, President Eisenhower cannot be sure of a vacation this summer. If ever a man needed to get away from the White House, he does.

It is not that he is run down or threatened with collapse. Physically, he is in good shape, or at least so his doctor says. The danger in his case, as in the case of any President, is from tension, the strain of cumulative problems and anxieties.

The last 12 months have been the most harassing that Gen. Eisenhower has experienced as Chief Executive, marked by an unbroken chain of worrisome and nagging events. They have been events of such a character and persistence as to make the whole four years of his first term seem like a breeze.

His troubles really started at Newport, R. I., where he spent his 1957 vacation. He had hardly settled down to his golfing there when a crisis arose over racial integration at a high school in Little Rock, Ark. That business cast a shadow over the summer White House at Newport for the better part of a month; and in the end, it shattered the President's vacation when he ordered federal troops to take over at Little Rock.

Next came the shock of Russia's triumph with Sputnik I and Sputnik II, followed in the autumn by the President's "little stroke." But still there was no surcease.

For most of the winter and spring, the President was troubled by the business recession, coupled with the prospect of a badly unbalanced budget and a sharp rise in the federal debt.

Then came the most awkward development of all—the disclosure on Capitol Hill that Sherman Adams, his chief of staff, had been a free-loader, a recipient of gifts from Bernard Goldfine, Boston industrialist and fancier of big-name politicians.

On top of all this came the bloody revolts in the Middle East and his decision on July 15 to send Marines to Lebanon—a decision which he acknowl-

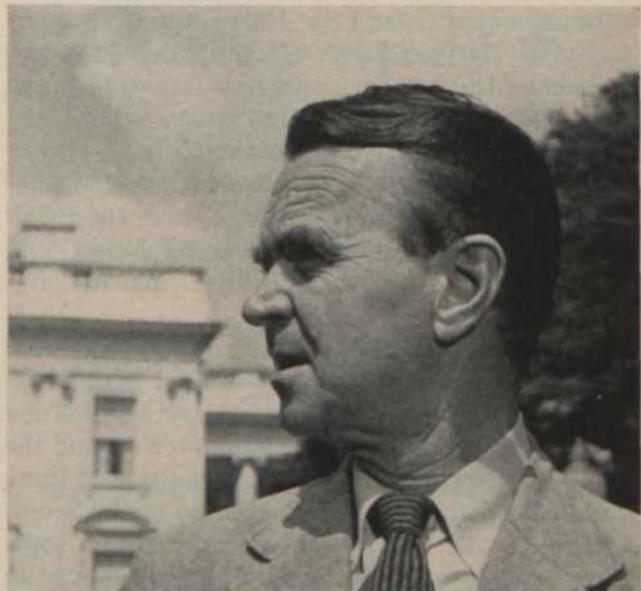
edged could have "serious consequences." All things considered, therefore, it is no wonder that Maj. Gen. Howard McC. Snyder, the President's physician, wants to get his distinguished patient away from Washington for the dog days that lie ahead.

• • •

When it comes to a vacation, a President of the United States has his choice of just about any site in the country, and of some good ones beyond its borders. All of the states that boast of recreational glories—and that means the whole 48, plus Alaska, a soon-to-be 49th—would like to have him for a month or so. It would not only be an honor, it would be the best kind of free advertising.

(Key West, Fla., enjoyed a runaway boom in the tourist business as a result of President Truman's visits there in the 1940's, and showed its appreciation by naming one of its thoroughfares

By Edward T. Folliard



Truman Avenue.) The President can have his choice of the country's finest resort hotels, including those with first-rate golf courses and fishing streams. He can have a whole island in the Gulf of Mexico, owned by one of his well-heeled Texas friends. For that matter he can get away from it all simply by taking over one of the Navy's cruisers.



In actual practice, however, a President is limited in his choice of a vacation spot; at least that is so in the case of President Eisenhower.

He feels that he has to think not only of himself, but of those who accompany him on the kind of vacation he prefers. Usually there are about 100 in his entourage: Jim Hagerty, his press secretary, and other White House personnel; 20 or so Secret Service agents, about 50 reporters and photographers, Western Union operators, and a Signal Corps detachment that handles the switchboard, teletype lines and messages in code.

President Eisenhower wants a place where there are accommodations for all of these. Also he wants a handy air field for his Columbine III.

This explains why, up until now, he has always chosen a government installation in or near a city—Lowry Air Force Base at Denver in 1953-54-55, and the Navy base at Newport, R. I., in 1957. He took no vacation in 1956, that being a campaign year.

The talk around the White House in recent weeks is that the President, if he is to have a vacation, will go to one of two places this year, either back to Newport or to his 190-acre farm estate at Gettysburg, Pa., 80 miles north of Washington.

If it is Newport again, the President and the First Lady will take over an admiral's quarters on a breeze-swept island in Narragansett Bay. A yacht, the Barbara Anne, will be available to carry him across the bay whenever he wants to play golf at the Newport Country Club which will be just about every day that the weather is fair.

A vacation at Gettysburg would mean warmer weather. But the important thing, from the President's standpoint, would be the Gettysburg Country Club, only a few minutes drive from his farm home.

To those who have never seen one, a presidential golf game is quite a spectacle, and not without its puzzling aspects. Although ordinary citizens are not allowed to follow Gen. Eisenhower around the course, it always looks from a distance as if there is a crowd with him. This is because of the Secret Service agents. Some will be close to him, some in electric carts on the fairway, some deployed in

the woods and the rough, and one will be carrying a battered golf bag with a walkie-talkie radio set.

It remains to be seen whether the President will take the time this year to campaign for a Republican Congress, something he did on a rather big scale in the last midterm elections in 1954. Admittedly, the Republican outlook is not good. The Democrats were heavy favorites even before the Adams-Goldfine business added to Republican woes.

President Eisenhower's remarkable defense of Mr. Adams, particularly his blunt statement that "I need him," distressed some Republicans. They thought it sounded like an admission of his own inadequacy. Still, the President was only being forthright.



His loyalty to Mr. Adams was likened by some writers to former President Truman's loyalty to Maj. Gen. Harry H. Vaughan of deep-freeze fame. Actually, the cases were utterly dissimilar.

The relationship between Mr. Truman and Gen. Vaughan was strictly a personal one. They had soldiered together and had been cronies for many years. When Mr. Truman ran for the Senate in 1934-40, Gen Vaughan dropped everything to help him; and it was out of friendship and a sense of gratitude that Mr. Truman made Gen. Vaughan his military aide after moving into the White House.

There was no doubt that Gen. Vaughan hurt Mr. Truman politically. However, the Missourian ignored the cries that he fire his inept aide, not because he needed him but simply because he couldn't bear the thought of breaking his heart.

The relationship between President Eisenhower and Sherman Adams is not so much personal as it is professional. The two men are not close friends, that is to say, cronies; they hardly ever see each other outside of working hours.

Indeed, they had not met until the 1952 campaign when the soldier-candidate, a novice in the political arena, made the then Governor of New Hampshire his No. 1 adviser, or, as he used to call him, his chief of staff.

That has continued to be Mr. Adams' role in the White House. All that has been said about his vast power has been true. He has been a grim and dedicated man with one overriding goal—to make his boss look good and to ease the burden of his boss' work as much as possible. No presidential aide was ever given more to do by a Chief Executive, and none ever worked harder on the job.

A good many here are predicting now that Sherman Adams, for the sake of the Administration and the G.O.P., will pull out of the White House in the weeks or months ahead. Maybe he will, but one thing seems reasonably sure: He will not be pushed—not by the President, anyway.



Frank Sinatra now starring in "Kings Go Forth"

Who put Sinatra on the spot?

Frank Sinatra is news. And big box office. And when the news broke that Sinatra was starring in a great Frank Ross production, KINGS GO FORTH, exhibitors were hot to get release dates. So United Artists put the Sinatra film "on the spot" coast to coast — on time to meet hundreds of advertised play dates — by shipping via Air Express.

Air Express, symbolized by the big "X", multiplies the speed of shipping every product — from films to filmy negligees. That's because Air Express offers the *only complete* air shipping service to thousands of U.S. cities and towns. Yet Air Express often costs less! For instance, a 25-lb. Air Express shipment from Hollywood,

California to Wichita, Kansas (1,240 miles), costs from 85¢ to \$6.81 less than any other complete air shipping method.

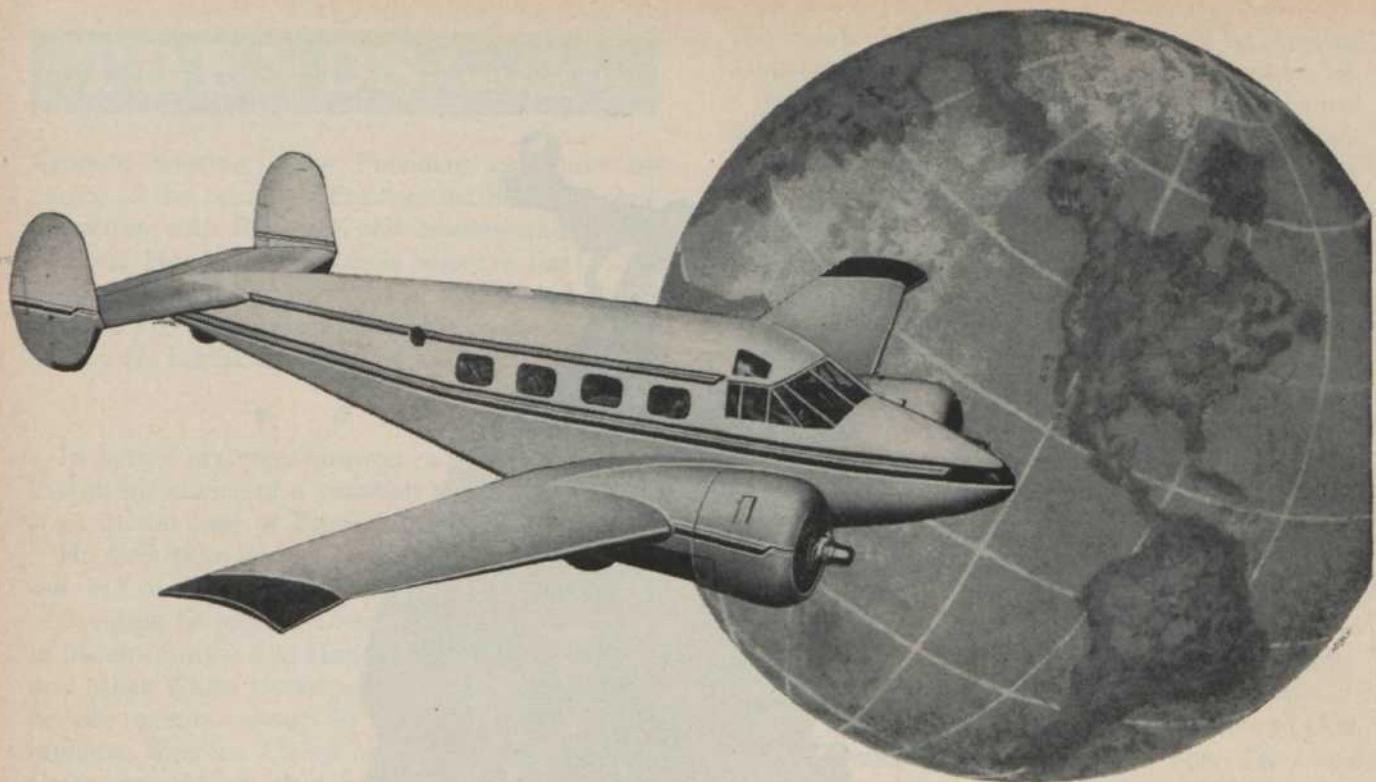
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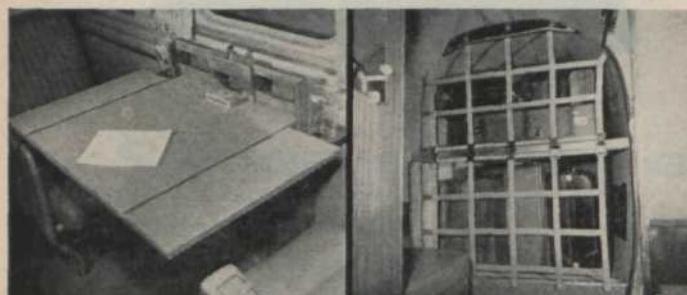
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COMING:

Revolution in management

Research of yesterday and today will spark new industrial era in next decade

THE NEXT DECADE will be an age of unprecedented boom for America—an era of change that will bring new marketing, manufacturing and management techniques to industry.

Currently accepted methods of operation will be inadequate to cope with this coming industrial revolution that will be triggered by new products and new processes now under development.

In the near future we will enter an age of accelerated obsolescence in which management functions and manufacturing operations must also be accelerated. A primary corporate need under these conditions will be an ability to act with speed and certainty in developing, manufacturing and marketing products, as well as an ability to react in similar fashion to innovations of competitors. Degrees of success in achieving this corporate agility will spell the difference between failure and prosperity for many companies.

Future levels of sales and profits will be determined as much by a company's advances in management thinking as its technological achievements. Today's record research spending indicates most companies are working on the second problem. Time will tell how many recognized the need for new concepts of management.

It is possible to pinpoint the approaching industrial revolution with a fair amount of certainty.

In the past five years we have spent as much money on industrial research as was spent in the previous 25. To date, little of this tremendous investment has borne

fruit because of the time lag inherent in research projects. But we can expect large-scale impact by the beginning of the next decade.

Products not now available are expected to add an estimated \$50 billion to sales and account for 13 per cent of all manufacturing by 1960. The volume of new products and processes from industrial laboratories will increase each year during the next decade. It will be an age of innovation unequaled in history.

In this decade the market place—where industry competes for the consumer dollar—will change drastically.

The trend toward enlarging the span of the middle income group will be intensified. Many new processes, currently under development, place considerable emphasis on automation and will require a great deal more mental dexterity on the part of the average worker. An upgrading of job requirements and greater worker income will result. This will accentuate the growth of the middle income group.

The people of our nation have an almost inherent appreciation for the new. This will be further magnified in the years ahead. A swelling array of new products will result in rapid capital turnover and, as consumer wants, income and spending increase, production will be stepped up to keep pace with demand.

Considered alone, the flow of new products beginning in 1960 will add stability to our national economy and industrial operations. When the benefits of product innovation are added to considerations of

population growth, rising income and increased production, however, we can predict much more than stability.

As laboratory successes broaden product lines, full-scale research will certainly increase the marketing scope of many companies. In 10 years twice as many products for consumer needs may be on the market.

Extension of product lines will intensify competition not only within industries but between them as well. The successful company of the future will battle for consumer acceptance against conventional products of traditional competitors and substitutes developed in other industries.

To cope with this increased competition, companies will protect their markets by forced obsolescence. When a new item has been successfully marketed, the developer immediately will focus research efforts on an improved replacement. He may well introduce this replacement to the market before the original has lost its consumer appeal.

New products will not be enough. Today, only one in five are successful and each failure takes a large slice of profit from successful items. Companies will seek to narrow this margin of error with expanded marketing research efforts. In its effort to discover what products the consumer wants and the most effective way to merchandize those products when they are available, industry will turn to the social sciences for basic answers. Psychologists and sociologists in charge of motivation research studies may well be corporate staff men in the future.

To achieve greater speed and accuracy of management decisions and implementation of those decisions, companies will also increase the scope of various staff functions charged with supplying information and recommendations to top executives. This includes current functions such as advertising, public relations and marketing. In addition, industry may develop intelligence staffs whose primary function is to keep up with the activities of competition.

An example will illustrate the need for increased speed and accuracy of upper echelon executive decisions. Company A markets a spray-on insulating compound in 1960. Two years later, Company B introduces an improved replacement and captures the market.

Company A's material enjoyed a two-year product life. It might have been greater. Company A has no control over the date on which a competitor introduces a superior product, but, by marketing its own material earlier, say 1959 instead of 1960, Company A could have increased product life by 50 per cent.

If Company A management decisions on the new product were made faster, and if production had been able to implement those decisions with greater speed, it could have achieved an earlier marketing schedule.

To permit such quick production change-overs, many industrial plants will be designed with an eye to rapid shifts from existing to improved products.

In the face of this need for greater production flexibility, automation cannot be a universal solution to production problems. Automation is practical only with long-duration repetitive operations. In the future, when set-up time for production change-overs can mean the difference between profitable product runs

and a money loser, complete automation could be the noose causing costly production bottlenecks.

With some manufacturing operations, especially those which process raw materials, full-scale automation is feasible. However, in finished product operations, where frequent styling changes are essential to successful marketing, the benefits of complete automation must be compromised with the need for flexibility.

Mechanical and electronic computing devices will play an increasingly important role in decision making, although computers will never replace the human decision maker. They will, however, serve as information storehouses and will be used for fast, low-cost operational systems studies. They may even serve as mechanical brainstormers to produce an array of possible problem solutions.

To carry out management decisions more quickly, many companies will make clear distinctions between line operations and staff planning responsibilities. Large companies will develop staff planning groups free of the demands of current operations. These groups will coordinate and direct all developmental stages from research to initial full-scale production of a new product. Operating management will take over only at the last moment and assume production responsibilities.

In this approaching age of innovation, research management will be a vital consideration to all companies. Research without proper limits could become the tail that wags the dog. Undoubtedly, research will increase competition. More competition could lead to greater research expenditure and so on. Companies caught in this spiral of rising costs could be ruined.

It is impossible to establish a point of diminishing returns to govern research investment for all companies. The per cent of sales plowed back into research will vary from company to company and industry to industry. But each individual company will need general controls for its research efforts. Perhaps the same guides now used to control other operational phases can be applied to research.

Basically this involves setting up a planned program with realistic goals for the research group. Limits in terms of money and time are included. Progress is periodically reviewed and evaluated in light of the original plan and necessary revisions are made.

The view of research today is often similar to the mystery of styling that prevailed for a time in the 1930's. After allowing many costly excesses, management eventually discovered that stylists and their art could be understood and controlled with objectives and limits of time and money. The same is true for research today.

We have examined some of the new techniques of marketing, manufacturing and management which industry will adopt in the coming age of innovation. Undoubtedly, problems as yet unsuspected will necessitate many other changes. However, those who face the new era with open minds and a willingness to adjust to change will surmount tomorrow's problems and reap considerable reward for their efforts.

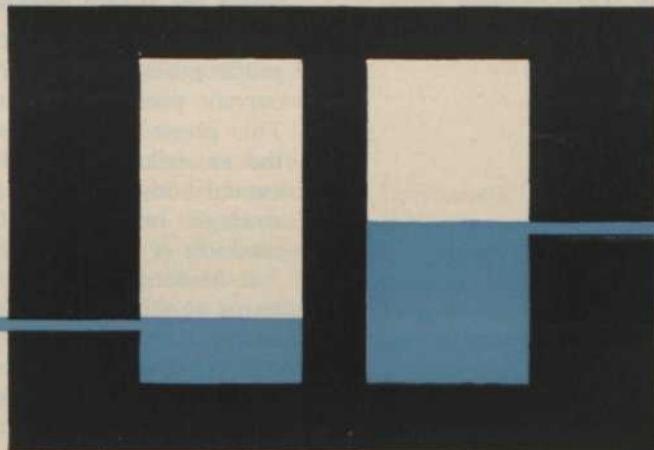
And the new era will be with us sooner than many realize . . . 1960 is only 17 months away.

END

Plan tomorrow's profits

An understanding of these four phases of long-range planning can help improve your business

In 1953 only
20% of businesses
had some kind
of long range
planning



Today more than
50% are planning
for the future

LONG-RANGE PLANNING is a major trend of the times. Behind this trend are many new forces and developments. Among them are these:

1. *Business readjustment.* Because of the uneven nature of business in various sections, many firms are hastening to guard their profits by moving into new growth areas. Others are programming cost reductions through more efficient plant facilities.

2. *Today's acceleration of change.* Never has change—economic, technological, and sociological—been so rapid and so certain to be further speeded by the pressure of changing population. In consequence, new industrial complexes are forming, with vertical and horizontal integration of companies taking place continuously.

3. *Complexity of today's product planning.* Modern distribution of products in nationwide markets requires extremely large investments, complex distribution machinery and longer forward planning cycles. New products come on the market rapidly. Long lead

times for many intricate technical products, such as aircraft, have lengthened the planning period.

4. *The systems approach.* Along with all these has come what is known as the systems approach in products, such as the combination of aircraft, guns and electronics in the air weapons system, or of machines, motors and controls in today's modern factory.

All of these take more planning.

Broad effects already are apparent. Management authorities say more than 50 per cent of today's businesses have some kind of long-range planning. Five years ago the figure was scarcely 20 per cent. Many management consulting firms say they are doing more work in long-range planning than in such emergency recession measures as cost-reduction studies.

In conferences on economic improvement, leaders are stressing the importance of insuring future profits by projecting optimum operations into the years ahead.

"I can do little to affect today's results," one corpo-

Plan tomorrow's profits

continued



“

I can do little
to affect today's results,
but I can do a great deal
to affect results five
or 10 years from now

”



TEN YEARS
may be needed before
a product reaches

commercial
maturity

ration president says, "but I can do a great deal to affect results five or 10 years from now."

"Few substantial businesses today can expect to survive and grow without a dynamic plan for continuous innovation in products, processes, facilities, methods, organization, leadership and all other aspects of the business," says Ralph J. Cordiner, board chairman and chief executive officer of the General Electric Co. "These innovations require early major investments in products which may not reach commercial maturity for 10 years or longer."

A long-range plan usually includes four phases:

- Setting up goals for future development.
- Product or services programing.
- Programing of other functions.
- Carrying out these programs.

In well-managed companies, future planning is carried on in some departments all the time. Comparatively new is the total planning which pulls departmental or divisional planning together in a co-ordinated corporate pattern, capable of indefinite expansion. Companies which have a long-range plan in operation can use the following as a check list to see how they can carry it further.

Goals for future development

1. Setting up quantitative objectives—sales and profit goals—and determining the extent to which current products can contribute to planned growth. This phase might be called extension of budgeting: the extension of the divisional and total company annual budget to a longer period—as compared with strategic or master planning which involves new products or fields of operation.

2. Making an audit of the company's resources in terms of skills, reputation, financial strength, market acceptance and the like.

3. Analyzing possible weaknesses in various phases of the company operation or of competitor strengths to be offset.

4. Drawing up a statement of business philosophy—the purpose or concept of the whole operation.

5. Determining the scope and pattern of future operations.

Setting up quantitative objectives: This first step begins by examining the past growth-pattern and profitability of each product or product line.

"The real nub of forward planning is in getting your product planning done right," says William E. Hill of William E. Hill and Company, management consultants specializing in forward planning. "Once you get the volume and profit projections on each of your new and existing products, you can plan the type of organization you need, the physical facilities, marketing organization, financial needs and all the rest."

After products are examined, comparisons can be made between them; then between product lines. Comparisons should also be made with competing companies and with the industry as a whole. These calculations will make it possible to set standards for future profitability and growth.

These standards serve as a basis for planning a course of action: to maintain growth of attractive

lines; to raise deficient product lines to par, and bolster those which lag behind the competition; to set standards for the company as a whole.

"Strangely enough, many managements are puzzled as to what objectives or standards they should set up for themselves," says Charles H. Granger, a partner of Mr. Hill. "There is no such question in the stockholders' minds. They know. They want their investment in the ABC company to pay off as well as if they put the money in the XYZ company. This is, of course, reflected in the price the investor is willing to pay. Management would do well to be guided by this type of thinking."

The first step in projecting these operations into the future is to consult the economic forecasts for the total economy, the industry and the individual markets under consideration. As a matter of fact, these should be nailed on the wall, figuratively speaking, to be consulted at regular intervals during the planning program.

William E. Roberts, executive vice president of Bell & Howell Company, characterizes this stage:

"In setting our goals, we take a retrospective look at where we have been, an objective look at where we are and a hopeful look at where we want to go. We keep an eye on economic forecasts, charting eight basic economic indicators, but we do not let them influence our thinking entirely. If the economic outlook is good, we are encouraged to go ahead with our plans. If it is foreboding, we determine to buck the trend with alternate plans to trim sail if necessary."

Accompanying the examination of the economic forecasts should be a running analysis of all foreseeable technological changes likely to affect the product market, the company and the industry. At this stage, necessary marketing research should be conducted.

With this information on hand, a company is ready to establish company-wide sales and profit forecasting procedures and set up company standards for profitability, growth and share of the market for all product lines and operating units.

Then it is the time to decide upon company aspirations and see whether projection of present operations will meet the standard. Say the goal is \$100 million in sales by 1965. But assume for the moment that the projection falls \$25 million short. To make it up, the company will have to go to new products in the same field or move to other fields.

At this point the extension of budget type of planning ends and the strategic program begins.

How to go about deciding the move to make?

The first step in this decision is:

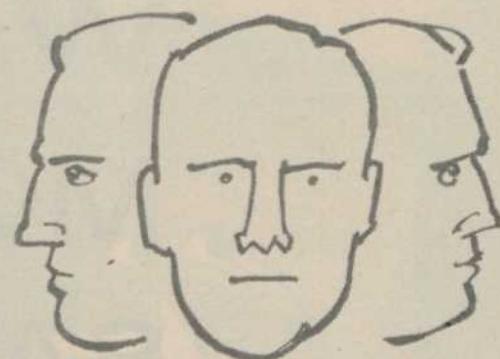
An audit of company resources: Management asks itself, "What do we do best?"

The audit covers company resources in terms of organization, reputation in the field, skills, equipment and so forth. It means an analysis of production, marketing, product planning, finance and control, research and development—all departments of company activity.

This, in turn, leads to the next step:

Analysis of company weaknesses and competitor strength: The question here is simply, "What are our

“ In setting our goals,
we take a . . .



retrospective	objective	hopeful
look at	look at	look at
where we	where we	where we
have been,	are, and a	want to go

”

limitations?" Perhaps many of the executives are nearing retirement.

Perhaps the company is weak in product planning. Perhaps it needs better research and development. Perhaps its whole field is weak and it needs to move into a growth industry.

"After the weakness is diagnosed, this phase can also include measures to overcome the limitation," suggests Samuel L. H. Burk, of Rogers, Slade and Hill, management consultants.

"If it is a lack of marketing know-how, the analysis might include a decision, for example, to acquire a company with the desired marketing know-how, or perhaps add personnel who had that particular background."

Statement of business philosophy: Here is where management must sit back and work out a company philosophy, if it hasn't done so already.

"This is the time to evolve the Ten Commandments," says Mr. Granger. "Is the company primarily manufacturing or market-oriented? Is it best suited to the capital goods industry or the consumer field? Does it want to be in the quality end of the business or in the mass production of low standard goods? Will it do best by going on as it has been going? Or by adding new directions, new concepts, new dimensions?"

For example, the Crompton & Knowles Corporation of Worcester, Mass., had for many years been making textile machinery, but the prospects for expanding sales volume in this specialized field appeared more and more limited. So

(continued on page 74)

HERE'S WAY TO MORE SALES

Company objective can be most important factor in current race for bigger volume

THE GREATEST SALES gains in 1958 and 1959 will be scored by companies that focus attention on the management of their sales effort.

The salesman needs the encouragement and confidence of strong and enthusiastic sales leadership.

This view is expressed by G. Clark Thompson, sales management specialist who is director of the Division of Business Practices of the National Industrial Conference Board in New York. For 15 years Mr. Thompson has been in charge of the Board's studies of marketing practices and draws upon these investigations as well as upon the Board's marketing conferences and seminars for the thoughts expressed in this interview. NICB is a nonprofit, independent research and educational institution which studies economic and administrative problems of business.

Discussing current sales problems, Mr. Thompson says the salesman "needs the development of his own skills and guidance in how best to utilize these skills. Sales managers must work closely with their men, give them the will, enthusiasm, pride, ability to sell.

"Our studies show that the men who can do this best are those who have these qualities themselves, and can impart them to others."

To achieve these goals, to plan for better profits ahead, company executives are asking questions such as these:

- What kind of sales organization will best meet the needs of the future?
- What sales policies will be required? What pricing policies?

An interview with G. Clark Thompson, director of the Division of Business Practices of the National Industrial Conference Board



- How can inventory be better managed?
- How can forecasting be improved?
- How can long-range plans help in short-range situations?
- How can salesmen best be stimulated?
- What kind of sales training works best?
- What is the best kind of sales meeting to hold?
- What's the outlook for the number of skilled salesmen?

In this exclusive NATION'S BUSINESS interview, he answers these and other questions about sales, marketing and organization for better profit planning.

Here are Mr. Thompson's answers.

In today's business situation, what can companies do to pep up sales?

The average sales manager is doing everything he can to get his sales force to make more calls, to devote more time to selling, and to sell harder.

Some sales managers, however, feel that this type of activity might be demoralizing unless top management gives adequate consideration to planning and support activities.

For example, it has been generally assumed that companies would not cut advertising, promotion and sales support activities in times of declining markets. Yet today we find instance after instance of companies that are cutting back on market research, promotion, advertising; even, in some instances, on their sales force.

Another danger which some sales managers see is that of coming up with solutions which are really immaterial.

There is a tendency to say, "Let's have a big sales meeting and pep up the salesmen." But they give no real thought to what they are going to teach the salesman that will make it possible for him to increase his effectiveness, or to what type of advertising, promotion, or product changes and price adjustments will make it possible for these salesmen to reach the goals outlined in these pep meetings.

The results, some sales managers say, are demoralized salesmen, increased selling costs, and little, if any, increase in sales.

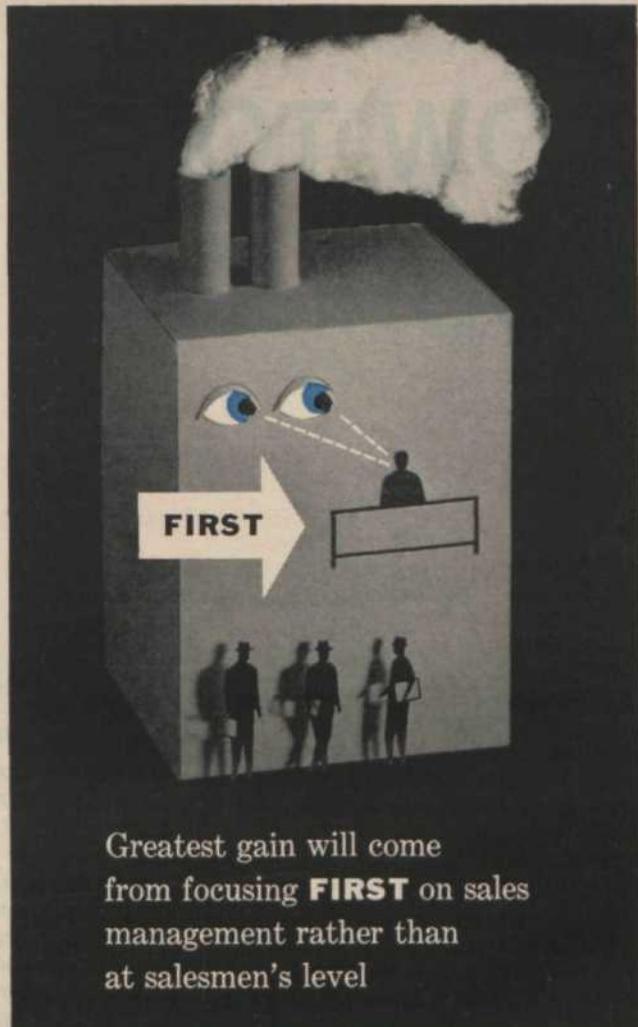
In your study of current sales management practices, what do you believe the company's approach should be in boosting sales?

Many sales managers feel that the greatest gain in 1958 or 1959 will come from companies focusing their attention first on the sales management level, rather than on the salesmen's level.

They are not suggesting that we stop our efforts to get the salesman to sell harder and more intelligently but they feel that this activity might be less productive, both long and short term, than a complete reappraisal of the company's sales philosophy and methods.

The primary function of sales management is to make plans, to develop programs for carrying out these plans and to establish systems of coordination and control to assure efficient accomplishment.

Sales managers further believe that a recession offers management an opportunity to reappraise marketing philosophies and methods and make adjustments.



Greatest gain will come from focusing **FIRST** on sales management rather than at salesmen's level

When sales are good and markets are strong, flaws in marketing philosophy and methods are not nearly so apparent as when the going gets rough.

Some companies are discovering real chinks in their sales organization and channels of distribution that were not apparent three or five years ago.

Does this mean better coordination of selling efforts is required?

This is important, but not the first step. Today's conditions demand a clear determination of the company's immediate sales objectives and plans. In time of high activity, companies tend to lose sight of their goals in favor of day-to-day decisions. When times get bad, selling is likely to become a firehouse activity.

Hence, objectives are either lost sight of or constantly changed.

Plans become muddled and at times different portions of the sales organization are working at cross purposes, or at least not working in the same direction. As a result, effectiveness is lost and the company's long-range market position may be damaged.

Those who feel that the approach to the current situation must start at the top believe that the first thing sales management must do is to clarify its sales goals and policies. *(continued on page 54)*

HOW TO ENJOY YOUR JOB

Executives can build work satisfaction and job effectiveness at the same time

EMPLOYEES OF A SMALL eastern manufacturing corporation swear to the truth of this story about their president.

On a sunny Saturday afternoon a few years ago, the president, then a vice president, was bent over his desk in deep concentration. Suddenly he was shaken from his meditation by the excited voice of a colleague who had burst into his office.

"What in heaven's name are you doing here, Frank!" his colleague exclaimed.

Not that it was unusual to find this vice president on the job on Saturdays. But this Saturday was different. There was cause for alarm. The vice president had an appointment that very hour in church. It was his wedding day.

This absent-mindedness—which made the bridegroom late for his own wedding—is hardly a typical trait of corporate executives. However, his all-absorbing love of job is characteristic. It is a quality that has helped propel many a man to the top of his organization. For many successful managers, work is synonymous with life itself; and job satisfaction feeds on the challenge of an unfinished problem.

NATION'S BUSINESS interviewed psychologists, psychiatrists, consultants and executives on the subject of executive job satisfaction to seek a better understanding of its elements and the part it plays in effective management.

The key findings are:

1. Executives need special kinds of job satisfaction.
2. Today's industrial organization can be the scene of great frustration and great enjoyment.
3. Executives can achieve richer

job satisfaction and more productivity at the same time.

Kinds of satisfaction

For every executive, some phases of the job are more enjoyable than others. Usually these are functions he does well or with ease because of his experience and skill. Since on the highest managerial levels there is frequently considerable leeway in what an executive does and when and how he does it, there is danger that he may spend too much time doing what he likes best to do.

Take the case of the company

president who got to the top via the sales route. Now, as president, he spends six months of the year on the road seeing customers and loves it. But the company's organization structure is outdated, plans for a cost control system are in mid-air and a building program has bogged down.

The president is too busy enjoying the one part of his job which he knows best.

"There's a big difference between making play out of work and playing at work," notes Dr. Robert H. Felix, director of the National Institute of Mental Health. "Enthusiasm and enjoyment in one's work are important for both physical and mental health," he says.

However, the man who seeks job pleasure at the expense of other requirements lacks maturity and a recognition of the scope and responsibility of the job.

Surveys of executive job satisfactions have pointed up some specifics. Executives' stated satisfactions range from liking to work with figures to liking to be an integral part of the organization. Executives also say they derive their greatest satisfactions from the increased importance of their firms in the economy, working with their people toward a common goal, solving tough problems, feeling vital in the operation of com-



"frustrated and dissatisfied
... but they love it"

pany programs, and having the freedom and opportunity for creative planning.

Another satisfaction, notes Dr. Felix, comes from "being in a position where policies and programs are influenced by you at the raw level." It's the satisfaction of power combined with the need to create.

The executive in truth "creates a course of action," as Bernard J. Muller-Thym, management consultant, puts it. Moreover, in creating this course of action, the executive "initiates changes that make a contribution which can be recognized as useful," says Dr. Edwin M. Glasscock, consultant with Farr and Glasscock Associates.

At the root of executive satisfaction, however, is what Dr. Felix calls a certain "divine discontent," an "itch that must be scratched." This is the dissatisfaction with things as they are that spurs the imagination and creativity.

"A lot of executives I know get a tremendous kick out of their jobs, the prestige and the money, but they are ulcerous worry warts," says John Sargent, of Cresap, McCormick and Paget, management consultants. "They are frustrated and dissatisfied, but they love it," he notes.

"In my experience," comments Dr. James Farr, of Farr and Glasscock, "the best executives are the most dissatisfied, in that they must have challenge and are always under pressure to measure themselves against some task."

So, the deepest and truest satisfaction for executives seems to arise from a discontent that stimulates creative powers which bring accomplishments that the executive himself sees or senses.

Frustrations and enjoyment

In such times as these when the chill of recession has pervaded business generally, the economic atmosphere provides little cause for cheer among executives. As many firms have retrenched and reshuffled their programs and organizations, it has left some misfits and much dissatisfaction.

Even in more buoyant times, the nature of some large business organizations is a source of frustration and dissatisfaction for executives. Multiple divisions, dispersed plants, frequent changes in products, production and distribution make timely information and communications difficult. A tendency toward speciali-



"Being keyed up . . . helps you deliver with maximum punch"

zation, close control, rigid policies and many levels of authority may conflict with the drive for independence, variety, individualism and breadth of duties and authority.

For many executives in both large and small organizations, government restrictions, high taxes, labor union power and resulting worker attitudes, not to mention touchy world conditions, are environmental causes of worries.

As managers move up to the highest ranks of their companies, new sources of tension and anxiety arise. Competition among managers becomes stiffer and rivalries for promotion are more intense. At the summit there is a loneliness and isolation that makes it easy to understand what William Howard Taft meant by a comment he made after his first few months in the White House. "Nobody drops in for the evening," he bemoaned.

Ranking executives must cope with what Dr. Felix terms "one of the saddest things in administration—the yes-man." Dr. Felix, a psychiatrist who administers a \$40 million a year program himself, says some administrators become tense if

there is disagreement around them, so they surround themselves with yes-men. This makes for more anxiety because the executive never can trust the candidness of his subordinates' answers. Even when he cracks a joke, he finds that often the response is hollow loyalty laughter.

Troubles and dissatisfactions can grow in situations of overlapping responsibilities where job limits are not defined, asserts J. Francis Canny of Hoff, Canny, Bowen & Associates, Inc., executive recruiters. Improper placement of executives in jobs that are either far too big for them, or not big enough, can lead to dissatisfactions.

Perfectionist tendencies can be causes of dissatisfaction, too, says Dr. Glasscock. Many executives are so conscientious they try to devote too much attention to too many things. This leaves most activities in a half-done state that breeds worry.

For middle managers sometimes a special problem can cause great disappointment. They come to realize that they are against a blank wall as far as advancement is concerned,

(continued on page 85)

THIS TAX PLAN WOULD BOOST BUSINESS

Immediate spur to the economy would come from proposed change in depreciation base

MOVES TO ENCOURAGE investment in new plant and equipment could spark the next boom, many economists believe.

Sen. Homer E. Capehart, Republican of Indiana, is author of pending legislation which he is convinced will do just that.

Capital expenditures are expected to plunge this quarter to an annual rate of \$30.3 billion from the \$37.8 billion annual rate of the third quarter last year, according to the most recent federal survey.

Senator Capehart, chairman of the board of Packard Manufacturing Company and operator of a 2,400 acre farm in his home state of Indiana, is the ranking minority member of both the Senate Banking and Currency Committee and the Joint Committee on Defense Production.

He was elected to the Senate in 1944.

In this interview, Senator Capehart describes the economic impact his proposal could have.

Senator Capehart, what are you advocating as a possible stimulant to the economy?

I am advocating legislation to permit larger tax deductions immediately on new capital investments. My bill would reduce the useful life (which is the basis the Internal Revenue uses for allowing depreciation for tax purposes) of all capital assets or goods bought or contracted for in calendar 1958 and '59, be it buildings, machine tools, farm equipment, adding machines, typewriters, air conditioning, new store equipment, or any of the hundreds of items covered by the broad term of capital assets.

The bill would apply to all of them, so that its advantages would accrue to all on the same basis, an estimated 10.5 million business units, including our farms.

How would this stimulate the economy at this time?

It would encourage businesses and farms to purchase immediately every conceivable kind of a capital asset because the bill provides that payment of part of the taxes could be deferred.

However, there would be no loss to the government in tax revenue over the useful life of the product. The purchaser would have an immediate saving but in the end he would pay the full amount of tax.

Specifically, the depreciation period for any capital investment now based on an estimated useful life up to 15 years would be reduced by half. That part of the estimated life of a capital asset over 15 years would be reduced by two thirds.

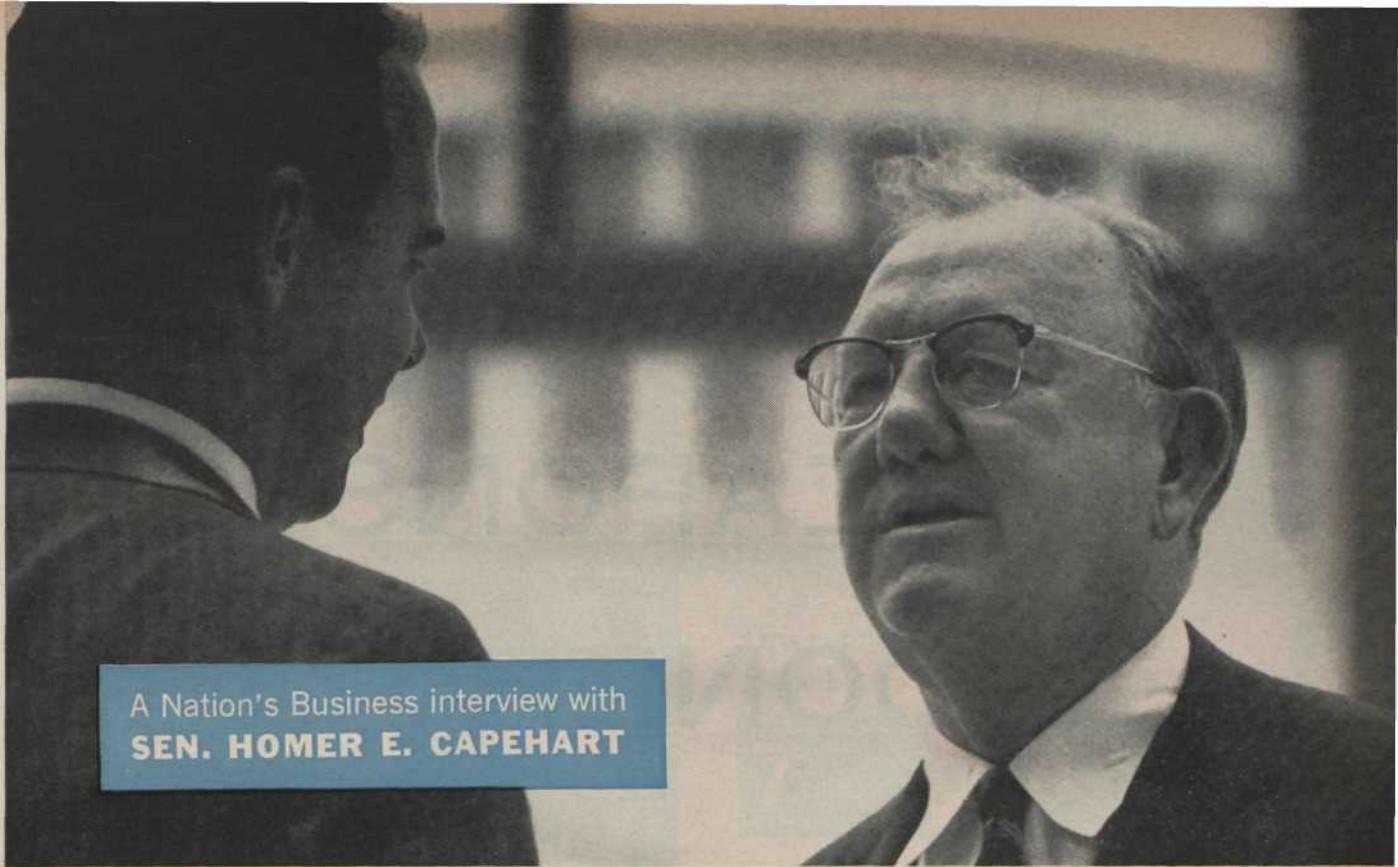
So with a shorter life to base the depreciation on, more of the cost of the investment could be deducted as depreciation each year. But, of course, depreciation deductions would not extend over as long a period as the present schedule of useful lives provides. If a taxpayer should choose to take the deductions over longer periods, he could do so, since my bill sets minimum, not maximum, useful lives.

Could you cite specific examples of how businesses could take advantage of this bill?

For a farmer, a new tractor could be depreciated within five years, instead of 10; a combine could be depreciated within 7.5 years instead of 15; a corn crib could be depreciated within 12.5 years instead of 30.

The small factory owner could depreciate tools and dies in 1.5 to two years instead of three to four years; heavier machinery and tools could be depreciated in 7.5 to nine years instead of 15 to 20.

For heavier industry, a new plant of average construction could be depreciated in 16 years instead of



A Nation's Business interview with
SEN. HOMER E. CAPEHART

FRED MAROON

40. Rental housing—homes, apartment buildings and office buildings—average construction could be depreciated in 16 years instead of 40.

For transportation systems, the beneficial effect of this bill on our railroad system would be tremendous. Because they could depreciate it more rapidly, it is my best judgment the railroads would immediately acquire hundreds of millions of dollars worth of new equipment.

Of course the bill would also be applicable to other forms of transportation.

The bill would provide an incentive for wholesale and retail stores to carry out renovation programs, new store fronts, new fixtures, and so forth, that they may need and have been anticipating in the future.

What would be the advantage of a depreciation measure such as this over, say, pump-priming legislation?

There would be many advantages: First, under this plan you do not forgive any taxes, you only postpone them. Pump-priming requires taxes immediately.

Second, pump-priming projects require many months and sometimes a year or two to plan before they can be started. Under this bill you would put men and women back to work the first day the bill became law.

Third, under pump-priming, projects may well be several hundred miles away from the unemployed person's home, requiring many either to travel long distances to work or denying them the right to work on pump-priming projects. Under this bill these people would no doubt be able to get the same job they were formerly laid off from, or at least obtain jobs in their own neighborhood.

Fourth, pump-priming primarily only helps the un-

employed. This Act will not only find jobs for the unemployed, it will likewise guarantee the stability of existing jobs by increasing the business of all producers and processors in the United States.

Could your bill be expected to reverse the present decline in plant and equipment investment?

My best judgment is it would not only reverse the decline, but likewise would increase the investment in plant and equipment over any previous year.

Would your bill advance technology or provide more modern productive capacity?

The purpose of the bill, of course, is to provide jobs for the unemployed, and guarantee the stability of existing jobs, without costing the taxpayers any money.

However, it has another big advantage: It will enable manufacturers, processors, retailers, and farmers to revitalize, rebuild and modernize their existing facilities; to buy new bookkeeping equipment, farm implements, air-conditioning, and dozens of similar and useful items.

How would this legislation eventually affect the federal budget picture?

The government would collect less taxes immediately, but, in the end, it would collect all the taxes that it collects under existing law.

However, many people believe there would not even be an immediate loss to the federal Treasury, because the bill would provide so many additional jobs and new businesses that the taxes paid on them would offset the deferred tax payments. The federal government, as a result of the improved, modernized, enlarged facilities, might, in years to come, collect more taxes rather than

(continued on page 59)

WE CAN HAVE BETTER WEAPONS SOONER

Businessmen tell how private enterprise can beat Russian system in armament race

AMERICA HAS BEEN coming out second best in vital competition with the communist system.

United States producers took eight years' lead time to develop their first long-range jet bomber, the B-52.

The Soviet Union produced the Bison, a comparable performer, in four to five years.

This country needed seven years to build a high-performance jet fighter, the F-102. Four years was enough for the Soviet Union to produce the F-102's counterpart, the Farmer.

On the average the communist system has been beating us by an even greater margin because of the development lag in other than priority aircraft. We need 10 to 11 years; they need five.

What's wrong with the American system and how can it be improved?

Industrialists say the Defense Department has drifted away from the private enterprise system; incentives have been minimized; government control of detailed plans and operations has been too highly centralized.

Science long ago outmoded the concept that land, sea and air forces can operate separately against any enemy.

President Eisenhower's defense reorganization plan is designed to deal with this.

But science also has outmoded military procurement methods. The Pentagon's management techniques have not kept pace with those of private in-

dustrialists. Critics say the main problems are these: Initiative is actually discouraged.

Minor decisions take months, sometimes years, to make.

Contractors who make manpower savings or automation improvements risk penalties.

Profits are low.

Competition, the spice of the free enterprise system, is threatened by specters of a weapons cartel on one side and socialism on the other.

Aircraft manufacturers proved to their own satisfaction last year that a return to private business techniques could end Soviet superiority in aircraft lead times. Without consulting the Pentagon, they built in nine months an aircraft called the Jet Star which would have taken two and one half to three years under Defense Department auspices.

Secretary of Defense Neil H. McElroy has recognized many of the problems. He is already moving to correct some of them. However, much remains to be done.

Not all the delays can be blamed on the Defense Department, of course. The Budget Bureau frequently insists on time-consuming clearances. Congress has insisted that contracts be placed in hardship areas whenever possible—a desirable policy but one which requires a complete survey of the nation's depressed areas each time a large contract is let.

But influential opinion on Capitol Hill, in private industry and even in the Defense Department itself

It took the
United States

8 years

to develop the
B-52 bomber

It took
Russia just

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comparable one

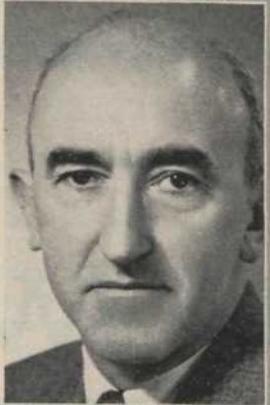
“... it could hardly
be expected that
the really radical
approaches would
come from the
services”

DR. JAMES R. KILLIAN, JR.
President's science adviser



“... the Renegotiation
Act ... destroys
incentive and puts
a premium on the
inefficient ... ”

WILLIAM M. ALLEN
Pres., Boeing Airplane Co.



This country
needed

7 years

to build a
jet fighter

The Soviet
Union in

4 years

produced its
counterpart

now insists that a breakthrough in Pentagon procurement methods is essential:

- Weapons planning must give greater weight to scientific opinion and seize on basic research discoveries sooner.
- Authority and responsibility must be concentrated in fewer decision-makers. Contractors should be allowed to make minor design changes without advance military approval.
- Effective profit incentives for efficiency must be adopted, to stimulate savings in manpower, funds and, above all, time.
- Government financing of weapons-making facilities should be minimized. Trends toward weapons cartels and away from competition should be reversed.

Weapons planning

Sketching out a new weapon is now undertaken in the American system only after a military service can show a well-thought-out requirement for it. This is economical and avoids a confusing proliferation of weapons gadgetry ill-suited to strategic and tactical needs.

But, critics contend, just the opposite should be the case: Strategic and tactical concepts should be devised to take advantage of new weapons.

Actually, this is what happens in practice, but not soon enough to suit the critics. Radical weapons such as the atom bomb, the airplane and the submarine,

they claim, might never have been developed if they had depended on preparation of a firm military requirement first.

Missile expert Dr. Wernher von Braun brings the issue down to the present day:

“We don't have a really powerful rocket engine today simply because none of our present crash missile programs needs it. But to beat the Russians in the race for outer space, we absolutely need it—and the development of such an engine needs several years.”

Dr. Lloyd V. Berkner, a scientist in the Office of Scientific Research and Development in World War II, believes the military is inherently ultraconservative:

“The OSRD usually found great resistance to any new idea or weapon while it was in the process of development. The files are full of statements by high military authority concerning these 'ridiculous' ideas. In most cases, these ideas would have been killed had the military been in control.”

President Eisenhower's science adviser, Dr. James R. Killian, Jr., shares Dr. Berkner's opinion:

“The military services have not distinguished themselves in the initiation of radically new approaches to weapons systems. There are striking exceptions to this, but it could hardly be expected that the really radical approaches would come from within the services. They must originate in the creative basic research that takes place

(continued on page 42)

An authoritative report by the staff of the

HOW'S BUSINESS? today's outlook

AGRICULTURE

The future of the farm business can be affected if a new trend materializes in specific legislation. Farm bills from both Senate and House Agriculture committees contain provisions that mark a major break away from "parity" for farm commodities.

The new approach, proposed so far only for cotton, corn and other feed grains and rice, would untie price supports from parity, a formula based on relationships 45 years ago. In the new proposals price supports would be related to reasonably current market conditions.

On two points this shift is highly significant. First, the new basis would take reasonably full account of current trends in production and technology, shifting tastes and consumer preferences, and export demand. Second, because price supports would be at 90 per cent of this average market price they would come into use only in case of a drastic decline in the price of a commodity. They would thus work as emergency floors rather than price pegs.

CONSTRUCTION

The annual rate of new housing starts has climbed to its highest point in two years. New data this month will indicate whether the new upward trend will continue.

Barring further general business decline, which is not anticipated, indications are the higher rate will

stand up at least long enough to make 1958 a substantially bigger housing year than expected only a few months ago.

While the total of seasonally adjusted figures on over-all construction show the private sector running about one per cent off for the first six months of 1958 compared to a year ago, there was a three per cent pickup in public building. Considerable support has come from such areas as educational construction (up four per cent), hospital and institutional (up 33 per cent), and social and recreational (up 21 per cent) in the same period.

In other words, despite the fact that 1958 is still running behind 1957, the gap is continuing to narrow as the year progresses.

Further activity is expected to be stimulated by several bills passed by Congress this session relating to housing credit, urban renewal, college housing, military construction, among other things.

CREDIT & FINANCE

Municipal bond sales continue to improve, corporate bonds now reflect a firm price structure with good investor interest. Institutional investors and pension funds show greater interest in long-term bonds. Treasury bonds have shown some oversupply.

The Federal Reserve monetary policy demonstrates continued credit easing with the banking system's free reserves bouncing along at approxi-

mately \$600 million. Congress has under active consideration several important financial proposals: 1, a Small Business Investment Act; 2, a Community Facilities Act, and, 3, an Area Redevelopment Act. Considered in one lump these three proposals would cost taxpayers about \$3 billion.

Another proposal, the Financial Institutions Act, already passed by the Senate, costs taxpayers nothing. It would modernize and improve banking, savings and loan and credit union regulations, but is being held up in the House Banking Committee.

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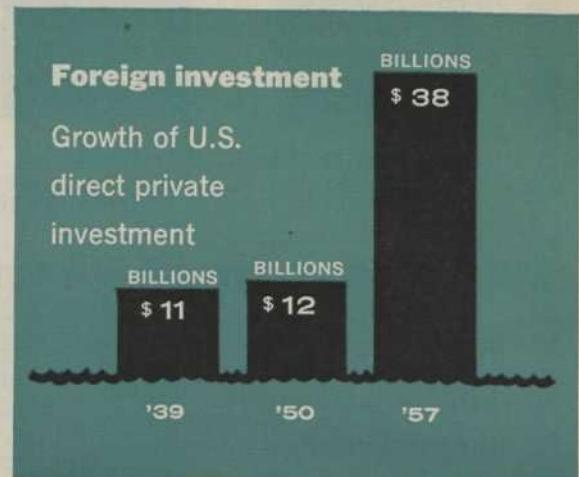
Most merchants are moderately optimistic about a more than seasonal sales upturn in the fall.

Although retail trade in some areas has been hampered by unseasonable weather factors, sales volume generally has held remarkably close to last year's level.

While some industries have a seasonal letdown during summer months, most lines of retailing feel the lift of increased sales. This is the conclusion of one trade source after finding that consumers actually buy five per cent more in the average summer month than in the average nonsummer month.

After a steady rise for several months, both the BLS Wholesale Price Index and Consumer Price Index are showing definite leveling tendencies.

The price outlook for certain big



Chamber of Commerce of the United States

appliances is blurred. Some brands will carry lower price tags, while others are slated for increases. New auto prices are expected to be about the same as in 1958.

One of the low-priced sectors in foods (canned fruits and vegetables) is likely to have a markup in the near future. Apparel items are expected to show few signs of price change.

FOREIGN TRADE

Important information is being developed which will provide basic guides for the many United States firms that now have or are contemplating the establishment of productive facilities abroad.

A survey of American business investments abroad is being conducted by the Office of Business Economics of the U. S. Department of Commerce. U. S. business firms and other U. S. residents having investments in foreign branches, subsidiaries and associated companies as of Dec. 31, 1957, are being asked to file returns by Aug. 31, 1958. This survey is mandatory.

Data to be developed will show in detail the way investment has been distributed among countries and industries. At the time of the last survey in 1950, U. S. private direct foreign investment had a book value of about \$12 billion. Since that time, this amount has tripled.

GOVERNMENT SPENDING

Preparation of the budget for the fiscal year 1960 is already well under way. The Bureau of the Budget has completed preliminary analysis of budget requirements and established its target figures for the next year. The call for preparation of detailed estimates has been given and now agencies are busily engaged in preparing detailed budget requests. The next three months will find the tempo increasing as the estimates are filtered through the several review levels and justified before the Budget Bureau examiners.

The key to the new budget will again lie in the defense area. Expenditures for the current year are estimated to be \$40.7 billion, and next year's are bound to rise because of current activities in both research and development and in the procurement of new weapons. It has been

estimated that defense spending may be expected to rise an average of \$1 billion a year for the next few years.

It is going to take strong wills on the parts of both the Administration and Congress to keep the total budget for fiscal 1960 below the \$80 billion level.

LABOR

The weaknesses and deficiencies in the Kennedy-Ives Bill as it passed the Senate reveal the extent of labor's political influence on Capitol Hill.

This influence is expected to grow even stronger in the next Congress, leaving little chance that hopes for more effective labor legislation can be realized soon.

If the political trend continues, the Taft-Hartley Law will eventually come under heavy attack. This threat will increase as the McClellan Committee's disclosures of widespread corruption and abuse of labor power recede into history.

Labor politicians already have proved their effectiveness by getting favorable legislation through the Senate when all signs pointed to the need for more corrective measures.

They put the Kennedy-Ives Bill over as a "reform" measure although it actually would have imposed new and uncalled for restrictions on management and pulled some teeth out of Taft-Hartley.

NATURAL RESOURCES

The critical spot in production of future timber supplies is the 265 million acres of forest holdings of 4.5 million farmers and other small owners.

The U. S. Forest Service plans a series of regional conferences to discuss programs for securing good forestry on small woodlands. Fifteen meetings are already scheduled throughout the country beginning in Wisconsin this month.

The need is for less liquidation of timber on small holdings and greatly improved management.

The solution is one of finances and markets. Owners will hold growing timber and cut systematically if they have funds for taxes, improvements and operations, and markets for the products.

Bankers can contribute to this pro-

gram through the extension of credit based on woodlots as collateral, possible now through national banking laws. Local business and industry can contribute by efforts to develop concentration yards and to encourage establishment of wood-using industries.

TAXATION

Capitol Hill's annual open season on taxes is almost over and the final results will hardly justify the verbal ammunition that has been expended. Aside from repeal of freight excises and some aid for small business, relief will be limited to certain technical and administrative changes to the 1954 code.

Some of the relief provisions in that bill are badly needed, but the bulk of the bill and the extreme technicality of many of the provisions will only add complications to a tax code that is already absurdly complicated. Fortunately, this very bulk and technicality are creating sympathy in the Senate for a complete revision of the tax code in 1959.

What is most needed is a bipartisan or nonpartisan commission to study the shortcomings of the present tax code, and to plan a tax system that will not only take into account the revenue needs of the federal government, but which will also restore some lost incentives and insure the continued growth of the American economy.

TRANSPORTATION

Transportation legislation passed by this Congress will have far-reaching effect within the transportation industry as well as on the entire economy.

The new legislation can be expected to discourage recent trends toward individual businesses establishing and operating their own carrier systems, particularly in the motor carrier field.

The three per cent excise tax on common carrier freight bills which constituted an inducement is eliminated. Increased restrictions will be imposed by the ICC on certain phases of private carriage. Thus a switch from the use of for-hire transportation to a private transport fleet will be more difficult and less attractive financially.

Responsibility without authority is sprinkled among dozens of committees

in the universities and other institutions where the fundamental new ideas are most likely to be generated."

The military will always favor short-term objectives rather than long-range research and development, in the opinion of Dr. J. Sterling Livingston, a Harvard professor of Business Administration who has made a searching study of defense management.

Their prime concern, he says, must be to balance available resources.

The job of getting weapons for today and tomorrow always has a higher priority than getting weapons for the day after tomorrow or a later time.

The Soviet Union may recognize this danger. Its satellites and ballistic missile programs are controlled by the Soviet Academy of Sciences, not by the Ministry of Defense. There is close liaison between the two, but scientists are not required to design their weapons to fit military men's strategic and tactical concepts.

Control of radically new weapons development should be taken out of the military services and centered in an entirely separate scientific agency, Dr. Berkner and Dr. Livingston believe.

A less drastic solution is to develop an OSRD under the Secretary of Defense, but give the scientists enough power and money to go ahead on weapons systems without always getting military requirements first.

Secretary McElroy is hoping to develop a similar group in this recently formed Advanced Research Projects Agency.

President Eisenhower's appointment of Dr. Killian as his special adviser indicates an awareness of the problem.

Private contractors and the nation's great universities both find, however, a certain amount of built-in Pentagon resistance to really new ideas, before the serious planning stage is ever reached.

Initiative is slighted all along the weapons development cycle, mostly due to entanglement in the Defense Department's decision-making process. The so-called committee system

of clearing each small step loses time and discourages initiative.

Authority and responsibility

One of the early steps in developing a new weapon is the feasibility study. Here is the route the embryo weapon travels in the Air Force to have its feasibility certified:

From its originator, the Deputy Chief for Development in the Air Force; to the Air Research and Development Command (at Andrews Air Force Base, just outside Washington); to one of the ARDC's research centers where an officer prepares a requisition for a research contract; to another officer who prepares a request or solicitation for contract proposals from private industry; to a selection of private contractors who are asked to bid on a research contract.

The bids are then prepared and sent back up the five-stop circuit.

A Pentagon committee reported last year that it takes from six months to four years merely to issue the weapons requirement and confirm its feasibility.

When the contractors' proposals have at last reached the Deputy Chief of Staff for Development again, the final requirements for the new weapon are drafted. These are next circulated to 20 or 30 offices in Air Force Headquarters. Interested commands are also asked to comment.

All these reactions have to be digested, incorporated in a revised draft of what has now become a "General Operations Requirement," recirculated if necessary, and finally approved.

Average elapsed time: three years.

And neither final design nor production of a mockup has yet begun.

According to an Air Force intelligence officer's calculations, the average time for preparing the General Operations Requirement is six months. But it takes an additional 18 months to get concurrences.

Before all the plans are completed, 24 months of actual planning time and 25 months of concurrences usually are required. Private contractors find themselves selling and re-selling their proposals, sometimes 20 or 30 times.

Maj. Gen. John B. Medaris, the

Army's top missile development man, told the Senate Preparedness Subcommittee:

"Some place there has to be one man who can make a decision, who can give a command, and who has the resources to carry it out."

The tedious process has an effect on initiative after awhile. Manufacturers don't push all their bright ideas. The ideas require so many concurrences that whole projects die or are outmoded before a clearance comes through.

The fundamental problem is that there is a reluctance in the Pentagon to delegate authority commensurate with responsibility.

Responsibility is sprinkled among dozens of committees. After Vanguard's first failure, newsmen sought in vain for a man who would admit responsibility.

Defense Secretary McElroy took his first swing at the committee system in May. He issued an order abolishing all the interdepartmental committees in the operating field. Before they could be reinstated, he ruled, they must justify their existence to his satisfaction.

Aircraft manufacturers believe the Pentagon procurement system should be remade in the image of private industry. Robert E. Gross, chairman of the board of Lockheed Aircraft Corporation, told the Senate Preparedness Subcommittee:

"Private companies must keep lean and simple to stay in business. In the nondefense, commercial end of our business, we work with an airline on the design of a transport aircraft. Requirements are studied, design agreed upon, development and production begun and two or three years later it flies. During the development and production phases we have incorporated hundreds of changes to take advantage of technological advances and meet changed customer requirements."

"How are we able to do this? For one major reason: simplicity of organization. The customer and the contractor are able to reach quick decisions and we don't get hopelessly enmeshed in a tangle of red tape...."

"Contrast this to military contracts where a relatively minor decision must pass through literally a score or more of offices, departments, bureaus and commands before a determination is made. The inevitable result is delay, inaction and waste...."

"If we continue the situation where highly trained, experienced, and dedicated military officers of high rank cannot make on-the-spot

decisions, which in time of war would be made by junior officers, we can look forward to continued delays, confusion and profligate waste."

Incentives for efficiency

Defense Department officials are trying to end waste in manpower as a further method of overtaking the Soviet system.

One problem is mass engineering, plaguing research projects.

James M. Bridges, director of electronics in the Office of the Secretary of Defense, says: "Industry has a growing tendency to approach military research and development on the basis of assigning several engineers to a job which could be adequately accomplished in the same length of time by one competent engineer properly supported by technicians....

"There is little doubt that the cost-plus-fixed-fee method of contracting is responsible to a considerable degree for the growth of the mass-engineering philosophy."

Research contracts are usually negotiated on a cost-plus-fixed-fee basis because there is no pattern of experience to settle on a reasonable contract. The practice has been for the government to guarantee a profit based on the actual cost of producing what the government wants. This kind of arrangement can effectively cool an urge for economy.

A contract of this kind also dampens enthusiasm for automation. There are thus reverse incentives to carry on with outmoded machinery which costs more in time, manpower and money.

Contractors complain of another manpower problem caused by close Pentagon surveillance of scientific work. Donald W. Douglas, Sr., chairman of the board at Douglas Aircraft Co., speaks of "the tedious, time-wasting emphasis" on monitoring and reporting. It requires a 30 per cent increase in technical manpower "to cope with government paperwork requirements."

Scientists and engineers wasted on this surveillance "could better be engaged in gaining new knowledge through basic research," he says. He estimates that Douglas devotes more than 400,000 man-hours a year to preparing surveillance reports for government agencies.

Soliciting bids also ties up technical personnel. Pentagon officials are conscious of the cost of getting as many as 30 companies to make contract proposals on a specific weapon or component. Each new technical proposal can take as many

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One Pentagon problem is wiping out delays in the installation of facilities

as 45 to 60 man years of engineering work. One large company keeps nine per cent of its total engineering manpower available for this work.

Mr. Bridges has suggested reducing the eligible bidders to two or three, but this risks charges of fostering a cartel. It is true the less experienced companies would be at a big disadvantage.

Contractors, too, can be guilty of wasting engineering talent. Prime weapons system contractors usually farm out some subsystems to other companies. But they maintain almost as full a staff of supervisory engineers as the subcontractors.

Standardization of components used in several weapons systems also could save time, money and manpower.

"In common practice," Mr. Bridges reports from the electronic field, "a system-development contractor undertakes to develop new components or new techniques required for his particular system, even though they may have basic characteristics similar to some under development by another system contractor. He feels that he must carry on his own program because he cannot take the risk that his competitor's efforts may prove unsuccessful or fail to meet his delivery schedule. . . . A contractor might even employ two or more parallel approaches to the technical development of a new component or technique if he feels the risk of relying on a single approach to meet his system requirements is too great."

Pentagon officials are now working to put a greater amount of effort into a separate, applied research program which can develop standardized components ready to be quickly adapted to a great number of weapons systems.

Government facilities

Contractors have recently complained they are not receiving adequate profits from their weapons-production business with the government. As a result they are forced to rely more and more on government-provided facilities.

General Electric reports that its defense business yields profits sub-

stantially below that realized from commercial business.

Defense contracts should produce higher profits, it is contended, because the risks are greater than usually recognized. Industries often invest large amounts in laboratories and design facilities only to find that science has outmoded them before more profitable quantity production can be undertaken.

The Pentagon writes into its contracts provision for unanticipated cancellations which involve unusual risks for companies that commit capital and talent. Provision is made for some profit, in such cases, but at a low margin.

Aircraft companies in particular complain that they cannot finance enough of their own facilities out of their profits. The government now provides an estimated 55 per cent of aircraft production facilities. This commits the Pentagon to place return business where the facilities are located.

The government's decision-making about providing facilities is no faster than in other phases, with the result that production is delayed longer than if aircraft makers could provide their own facilities.

Besides time, savings possible with more up-to-the-minute labor-saving machinery are frequently lost because of the decision-making delays. Prompter provision of facilities could reduce costs as much as 20 or 30 per cent, some contractors claim.

Donald Douglas, Sr., of Douglas Aircraft, made a telling case for strengthening his industry enough to provide its own facilities:

"We got together with the Bell Laboratory people about a year before the Thor (intermediate range ballistic missile) contract was placed, and we each spent considerable sums of money—I think something more than \$1 million, entirely speculatively—on what became the Thor. (Early tooling will make the Thor ready next December for operational use in Britain and on the European continent.)

"Industry has already done a great deal of that. I think it is the sort of thing that industry should do. They should do the forward thinking, and they should have enough confidence in their ability

and their forward-thinking to spend their own money on it. We are perfectly prepared to do it if we have the money."

Pentagon officials say they intend to go on as they have. If they were expected to provide all the aircraft manufacturers with enough profit to pay for their own facilities, they claim, duplication of facilities would be enormous. The government would pay for the duplication through the profits. Costs to the taxpayer would increase instead of decrease, they believe.

How the government can wipe out the delays in installing facilities is one of the problems now before Secretary McElroy.

Far from sympathizing with the aircraft manufacturer's complaints about profits, the President's Renegotiation Board has recently been paring profits from the airframe industry's reserves.

For the 1957 fiscal year, for instance, the Renegotiation Board ordered eight airframe manufacturers to turn back \$33.6 million as "excessive profits." The eight companies' total weapons sales that year had been \$3.9 billion.

Aircraft industries state their profits as a percentage of total sales. On this basis profits average about three per cent after taxes.

The Renegotiation Board figures aircraft profits as a percentage of total assets, however. On this basis, aircraft profits are second only to the chemical industry, because the government provides 55 per cent of the aircraft industry's facilities. Profits come to 20.1 per cent of total assets.

In absolute dollar value, the Board observes, aircraft profits have been climbing since the Korean war.

For the assets committed and the low risks involved, it is claimed, aircraft producers' present profits are adequate.

The Pentagon's estimate that 55 per cent of the aircraft industry's plant and equipment facilities are now provided by the government is conservative. Other estimates range up to 75 per cent.

This government support is justified, the Pentagon believes, because the facilities become obsolete so fast—sometimes before they are built or get into production.

Manufacturers contend, however, they could master the risk, save the taxpayer money and, most important of all, save on lead time if they could get more profits and move the government out of the facilities-provision business. William M. Allen, Boeing's president, made this com-

ment before the Senate Preparedness Subcommittee:

"I make the categorical statement that the Renegotiation Act, as it is now being administered, destroys incentive and puts a premium on the inefficient. . . . Take the years 1952, 1953 and 1954, all of which have either been passed upon by the Renegotiation Board or are in the process of being.

"During those years we delivered B-47s and the KC-97 tankers in substantial quantities. We had had enough experience with our costs so we were able to sit down with the government and agree on how the costs curve should go down as we went forward.

"The contract provided that if we bettered the target price, the government would get 80 per cent of the saving and the company would get 20 per cent.

"During 1952, 1953 and 1954, we beat our targets at great savings to the government.

"In those three years . . . we saved the government more than \$100 million. Our share of that saving after taxes was \$9,430,000. The Renegotiation Board . . . will take away \$9,700,000, slightly more than our incentive earnings . . . I know of no better way to kill incentive than that. . . ."

Curtiss-Wright's spokesman, Roy T. Hurley, complains that the surveillance is concentrated on the wrong target. His company's profits average 3 3/4 per cent of sales.

A five per cent saving in the remaining 96 1/4 per cent average cost, he says, "would be a greater saving for the taxpayer than completely eliminating all profits on military business.

"In the world of business and government today too much emphasis is being placed on profits and not enough on cost reduction. It is easy to talk about profits; it is a popular subject. But it does not require the work and know-how that goes into well planned cost reduction programs."

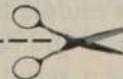
Neutral observers, such as Harvard's Dr. Livingston, are proposing that the government phase itself out of the facilities-buying end of weapons procurement and shift its basis for providing the munitions industry's profits—from a percentage of costs to a percentage of assets committed. This procedure would mean that incentives to save manpower and time would be heightened; the trend toward a government-subsidized cartel would be reversed; free enterprise would make a comeback.

—EARL H. VOSS



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THESE CONSUMER ATTITUDES ARE KEY TO OUTLOOK

Top survey specialist explains findings, tells what to expect

By GEORGE KATONA

Director, Economic Behavior

Program, Survey Research Center,

University of Michigan

THE POWER TO ACCELERATE or retard our economic growth today is held more than ever in the hands of millions of decision-makers—the U. S. consumers.

Fortunately, how these people behave is not shrouded in uncertainty. Their way of thinking can be studied. To be sure, some of their attitudes and expectations undergo rapid changes. Misconceptions and wishful thinking often prevail over insight and understanding. But there is sufficient stability in underlying notions and motives to permit measurements through survey research, and sufficient clarity in thinking to permit analysis of the measurements.

This does not imply that there is a standard consumer.

No two people are exactly alike, and there is no motive or idea that somebody doesn't hold. Yet this is a country not only of diversity but also of great uniformity. Mass communications spread the same information from coast to coast. We have a broad and economically important middle income group which receives similar news and information. Beliefs and convictions spread through word of mouth.

As a result, certain attitudes, notions, fears and hopes are generally held. Once we understand these, we can rid ourselves of the idea that the consumer is irresponsible, unpredictable and follows nothing but unconscious urges.

Actually, the thinking of our modal consumer appears to be middle-of-the-road rather than inclined to extremes. Instead of plunging into inflationary fever, consumers have applied the brakes; instead of accelerating the boom, after a while they exercised self-control in using installment credit. Rather than developing self-reinforcing and self-justifying expectations, consumers have shown themselves to be funda-

mentally conservative and sane. Extreme behavior may occur among consumers as well as businessmen but probably only when the sanity of people is crushed by repeated shocks.

The consumer's over-all picture of the economy appears to be concise and meaningful, even if not entirely correct in detail. The basis of mass sanity may be found in a desire to understand the reasons for developments that take place.

Rumors which have no foundation may be accepted for a short while by some people but will not sustain action by many people over prolonged periods. Nor do appeals or moral suasion work unless people understand why a certain action is good for all and for themselves. The understanding that people seek does not involve sophisticated knowledge of economic relationships. It implies a feeling about what leads to what, which is not only within the capacity of middle income people but is also a prerequisite for their discussing economic events. Such discussions, rather than passive listening to news, are an essential condition for the spread of attitudes and opinions which do not cancel out but affect the economy in one direction.

With this broad background let us now consider how four present phenomena can cause the consumer to step up his demand at one time and restrict it another. These four are:

- Inflation.
- Optimism.
- Desire to save.
- Belief in the government.

Inflation

Inflation is one of the great and persisting experiences of the past 15 years. Repeated studies by the University of Michigan's Survey Research Center have shown that most Americans hold three notions about the trend toward higher prices.

First, people believe inflation is bad. In peacetime, inflation is believed to be unnecessary and preventable. People resent inflation because they look at prices from the consumer point of view; they hate to pay more for food or a car than they did six or 12 months ago. Price stability and even small price declines, on the other hand, are viewed as good for the economy.

Second, people commonly believe that what goes up must come down. Even though they have not had this experience recently, and even though in answer to direct questions they often say that in a few years prices will be higher than today, they have a deep conviction that inflation has limits and the trend must be reversed sooner or later.

Third, and most important, people believe that they do not have it in their own power to safeguard themselves against inflation. Only a small proportion of wage earners believe that their income goes up because prices rise. Wage and salary increases are viewed as rewards for accomplishments. Price increases are felt to hurt even if fully compensated by wage increases; higher prices detract from enjoying the fruits of one's labor.

Thus, inflation is bad, people think. Instead of responding to inflationary news by buying in advance, and in excess of needs so as to beat the price increases, most of the time American consumers have reacted by restricting their postponable purchases. Thus, rather than adding fuel to the fire, they helped to limit its ravages—yet they have not helped enough to extinguish the fire.

Optimism

Since World War II, optimism, confidence, and security have prevailed. People have believed that they were moving ahead. Younger and mid-



*Amazing diversity
adds up to*

surprising uniformity



Optimism plus higher incomes gives leverage effect to increase business

dle-aged people have held only two opinions regarding their economic situation for the next five or 10 years: Income and standard of living will be higher or the same. The present income level has been seen as the lowest possible. As years go by, one acquires more and better things of life.

Optimism has generated what has been called thing-mindedness and upgrading of possessions. It has been associated with the baby boom which, since 1950, has taken the form of a substantial increase of three and four-children families. It has also been associated with enormous mobility. Rural areas, small towns, and central city districts of large towns have not grown. The population increase has been concentrated in rapidly growing suburbs and outlying districts of cities.

In other words, young Americans have decided that they want babies and good things of life at the same time. More specifically they have decided: 1, to marry early, 2, to have several children in the early years of marriage, 3, to bring up their children in a nice neighborhood (with a back yard, far from juvenile gangs), and, 4, to have a car, a washing machine, a TV set, and innumerable other things.

How have millions of families accomplished this? To some extent it seems that not only do expenditures depend on income, but income also depends on consumer needs. Needing and wanting expensive things, people have worked hard for higher incomes. Millions of husbands have held second jobs and millions of wives have returned to work after their children grew up.

Most importantly, however, installment buying has helped. Buying on installment has become increasingly popular. Some older people still have misgivings about being in debt or are concerned with the cost of borrowing. But most younger people maintain that things should be paid for while using them.

Optimism and feelings of progress mean, in psychological terms, that aspirations rise. The consumer with a salary raise may want a new house. Having bought a house he is hardly saturated—rather, he needs many things for the house, and so on. Fail-

ure and frustration, on the other hand, lower aspirations.

Saving

Neither installment buying nor inflation has greatly affected the desire to save. Not saving, for most people, is still a sin. Most young people feel uneasy because they do not have sufficient savings or reserve funds. Saving is a greatly desired positive goal, just as wanting to be a home owner is a positive goal. To be sure, in the competition among positive goals saving often loses out. But two, and only two, motives for saving are powerful: saving for rainy days—since the future is uncertain and accidents, illness, temporary unemployment may occur—and saving for spending later.

It follows that, in the minds of most people, saving is not defined as the economists define it. Saving means making additions to bank deposits (savings and loan associations are viewed as banks), buying government savings bonds, and sometimes buying common stock. Life insurance is seen as a necessary expense; repayment of debt as the way of paying for past expenditures. Most people don't consider insurance and debt payment as savings.

Savings, then, must be safe. Buying common stock or real estate is viewed by the great majority of middle and upper-middle income people as risky or as requiring special knowledge and information. Thus most people see no alternative but to save in forms which lose in value when prices rise. They know it, regret it, and they do it—hoping all the while that further inflation will be prevented. Some people argue as follows: "Sure the war bonds I bought many years ago are worthless than when I bought them; but if I had not bought them, I would have spent the money for innumerable small things at that time and would now have nothing; I did well to buy the war bonds."

Installment buying is a favorite budgetary device of consumers. By helping to keep track of finances, it also assists in saving. People know that it is difficult to save. This is why some people who have enough money in their bank accounts to pay cash for durable goods buy

them on installment. By so doing, a year or two later they have the goods and also their bank account intact. Had they paid cash, they might not have had the fortitude to replenish their bank accounts again.

The recent rapid spread in collective security arrangements has not impaired the will to save. In earlier times for some people it was inconceivable to save enough to be self-sufficient after retirement.

At present, together with social security and the like, which alone do not suffice, it becomes more manageable to save for retirement. A goal which is felt to be attainable presents a strong motivational force.

Compared to the strong motives which make the consumer buy durable goods and accumulate reserves for rainy days, the motive of increasing income through earning interest on savings is weak indeed. Higher interest rates—we speak of increases by one or two percentage points—do not restrict consumers' desire for goods and do not stimulate saving. Yet in 1956 and 1957 higher interest rates were viewed as signals indicating that the economic climate was not altogether favorable. From the point of view of consumer pocketbooks, high interest rates influence home buying but not installment buying. Usually the monthly payment alone matters in installment buying, and the rate of interest is not known.

Government

We have spoken of the optimistic attitudes of the consumer. More correctly, we should have spoken of

What consumers think now

The recession did not greatly impair consumers' underlying feeling of confidence and security, according to the current Survey of Consumer Attitudes, conducted by the Survey Research Center of the University of Michigan. Decline in consumer spending is due to postponement of discretionary spending, not saturation.

cautious optimism. People constantly need new evidence to support their optimism. Even if times continue to be good, lack of news of new favorable developments is viewed as a sign for caution.

On the other hand, during the past 10 years the majority of the American people were convinced that a depression such as we had in the 1930's was not possible.

"Why?" our interviewers asked in repeated surveys. They answered:

"We know how to prevent it."

What does the consumer have in mind? Who is "we"?

Such questions most commonly resulted in the answer that the government knows how to avert depressions and will act accordingly if necessary. This is all most people said during the past good years; how the government should act they did not know.

But people did have—and do have now—certain notions which do not help to make the government's task easy.

First, most people regard the government budget in the same light as their own. Bad times are seen as periods in which belts need to be tightened. Balanced budgets still have great merits in the minds of many people.

Second, people, even if not greatly concerned with the international situation, know that we must spend great amounts of money for defense. During World War II people paid taxes and bought war bonds so as to build planes, tanks, and guns. Today growing defense expenditures are bad news because of their impact on the government budget.

The sputniks were unexpected bad news. Not only do most Americans view communist achievements with great misgivings, but our expected reaction to Russian military advances was associated with higher taxes rather than with making wheels turn and employment grow. The sputniks contributed to the spread of consumer pessimism in 1957.

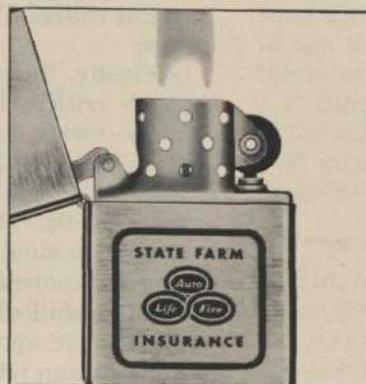
The same frame of mind determines many people's present reactions to tax reductions. Tax cuts would be wonderful if they were possible, some people say; but we need high taxes to pay for defense.

Yet people are capable of learning. After World War II and in the 1950's they learned to disregard the depression of the 1930's and became optimistic and confident. It might help if they learned that government budgets are flexible and the rate of current taxes does not determine the rate at which we build planes and missiles.

END

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Put cliques to work for you

Six actions can help your company gain support of its informal groups

THE MANAGEMENT OF CLIQUES is a rapidly growing field for executive action. Already many companies have given up formal organization charting in favor of more sophisticated analysis.

The rewards are obvious: More cooperative people, more productive workers, easier installation of improvements by engineers and accountants, less conflict and confusion rising to the top, greater unity of effort.

Such social scientists as Dr. Rensis Likert of Michigan and Dr. Chris Argyris of Yale have studied and written extensively on the subject of cliques. Dr. Argyris describes the possibility of better management of informal organizations as the next great breakthrough in management theory and practice. These scientists declare that the dual goals of the clique in business—desire for security and for participation in the decisions which affect them—are finding their way into organization planning in many firms. No mere academic exercise, the management of the clique is for high stakes.

For one thing, cost reduction programs have often pointed up the fact that the people at the top of the organization can't seem to maintain touch with the people at the bottom, no matter how loudly they shout or how keenly they listen. Probes to find the reason have indicated that the clique is a block to real communication.

For another thing, information about policies, procedures, rules and regulations doesn't come out at one end in the form of behavior the boss intended when he put it in at the other. Systems which are completely logical just don't work the way they were designed to work. Industrial engineers seem to find new

heights of employee and clique ingenuity in undermining incentives and methods improvement.

Still another management problem which seems to center around the clique organization is the failure of specialist groups to coordinate, mainly because they become special interest groups which don't communicate. In many engineering and research labs, for example, the multiplication of technical jargon by the cliques has become almost comparable to a tower of Babel.

Multiplied throughout the company, it's more than the electrical engineers not pulling in harness with the mechanicals; it's the accounting clique battling the sales clique, the quality clique scrimmaging the production crowd, the union bunch fighting everybody, the office fighting the shop, the old-timers fighting the young college Turks, and the company losing in every case.

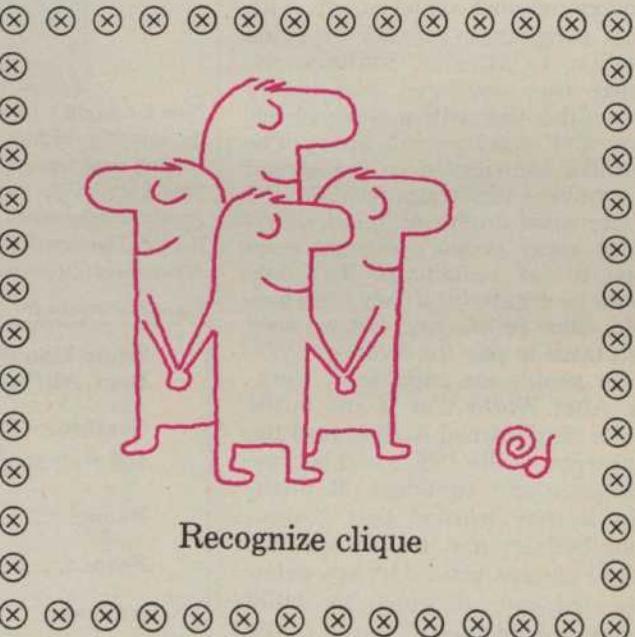
Finally, the cliques are the building blocks of that much criticized figure, the organization man. The clique makes its members conformists who suppress their individuality in order to retain membership and popularity with the informal group with which they work. To the extent that the clique places no premium upon individual effort or creativity, the skills of imitation and cooperation become paramount.

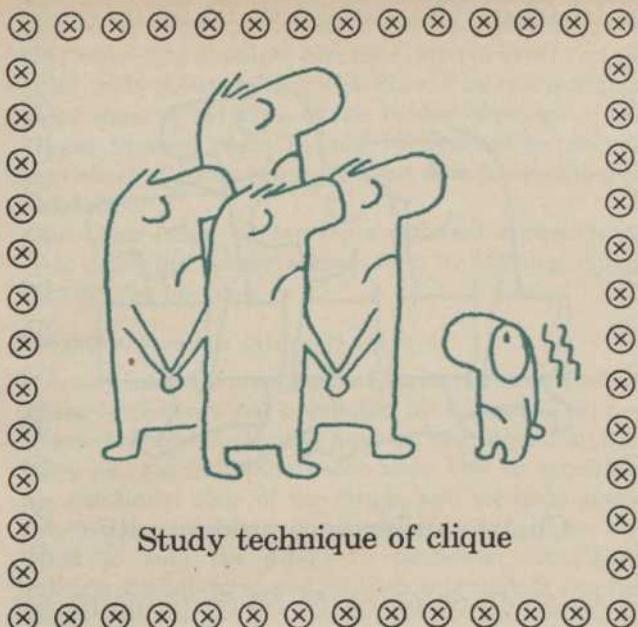
As the full dimension of the clique's influence becomes more apparent, many of the methods for handling human relations and communications problems become increasingly inadequate, overmatched by the problems they are expected to solve.

In format the clique appears as a small group; the graduates of a particular school, practitioners of a special occupation, or a few people bound together by ties of sentiment, common interests, or like social ties.

The clique is a spontaneous, informal, natural cultural formation inside the organization. It controls its members through social pressures and can act either favorably or unfavorably insofar as the company is concerned.

Since management can neither order the clique out of existence nor circumvent it by industrial engineer-





Study technique of clique

ing or directives, the logical course is to prevail on the group to act in the firm's interest.

A number of steps can lead toward this result. Summarized, these include:

- Recognize that cliques exist.
- Train managers to deal with them.
- Catalog the major segments of the clique organization.
- Study operating techniques of cliques.
- Work through informal leaders.
- Plan facilities so they will establish social status.

Recognize cliques exist

Cliques exist in every human organization, including the family, the church, unions, the government as well as business firms. No master plan or sinister conspiracy is needed to start one—only a few people having common interests, fear of the boss, or pride of achievement. Many large and imposing clubs have grown out of a clique founded on the habits, likes, dislikes, sentiments, interests and endowments of a group of individuals.

Management which, on hearing that cliques exist, reacts with an emotional outburst aimed at wiping them out or with a denial that they have infiltrated the company is merely putting obstacles in the way of steps which might lead to a more sophisticated treatment of the subject.

Acceptance of cliques as going concerns, and an effort to understand their nature and scope, will pay dividends in the adoption of policies and practices designed to enlist them into channels of help and increased productivity.

Train managers

One of the basic steps in getting a grasp on the clique situation must include some basic training of management in group relations and the specifics of informal organization. Human relations training in

the past has often been oriented toward studies of individual behavior without attention to the group processes.

Although it's obvious that the group consists of individuals, mere understanding of individual motivation without some practical knowledge of how the clique modifies this behavior is only half the story.

Mary Jones may want to produce more work in the typing pool; but she has learned that if she is too productive she won't be invited to the little luncheon and gossip dates which also are important to her. With cliques in mind we still study the individual; but we pay more attention to how Mary meets her individual needs through group approval.

John Jones, engineer, may be more interested in what the boys down at the engineering society think of him than what his boss thinks, or even of what he thinks of himself.

Putting this basic importance of the group across to the supervisor, the manager, the technician and the staff man is a key step in managing the informal organization.

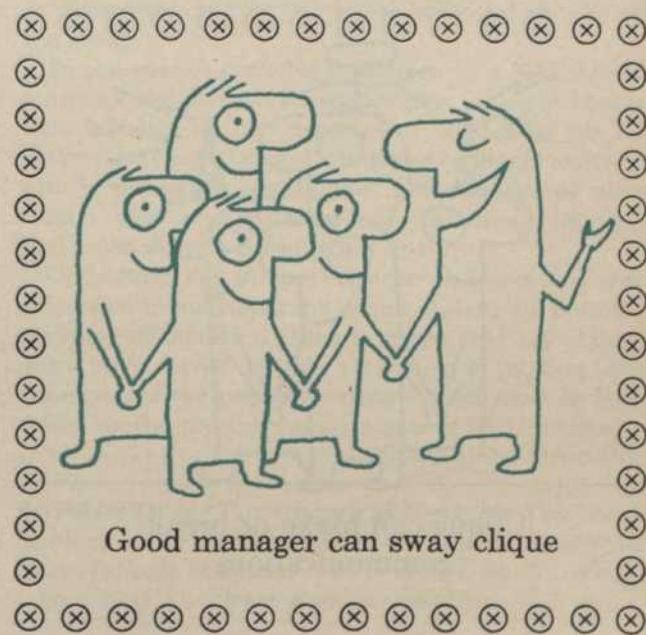
Catalog clique segments

With a management and staff aware of the importance and nature of cliques, a company can catalog the major cliques and learn how they react to one another and to the company. This is best done by the people who are actually on the spot as managers, engineers, and staff people. The foreman of Department 10, for example, will know his people as individuals, and can easily plot out the major cliques in his department.

He knows that the mechanics are one clique, the old-timers another, the operators of certain sections a third, and so on. He can further tell how they get along, who is considered highest on the social scale of the shop, who likes whom.

Top management can usually spot the major clique divisions.

In one chemical company, for example, the major clique consists of graduate chemists who will move up



Good manager can sway clique

PUT CLIQUES TO WORK FOR YOU

continued

the line in management. Generally the four major subdivisions of cliques will include:

1. Top management—the boys on mahogany row.
2. Supervisors—the white-collar bosses in the shop.
3. Technicians—accountants, engineers, and others whose work is primarily concerned with improving other people's effectiveness.
4. Workers—the clerks, typists, machine operators, laborers, salesmen.

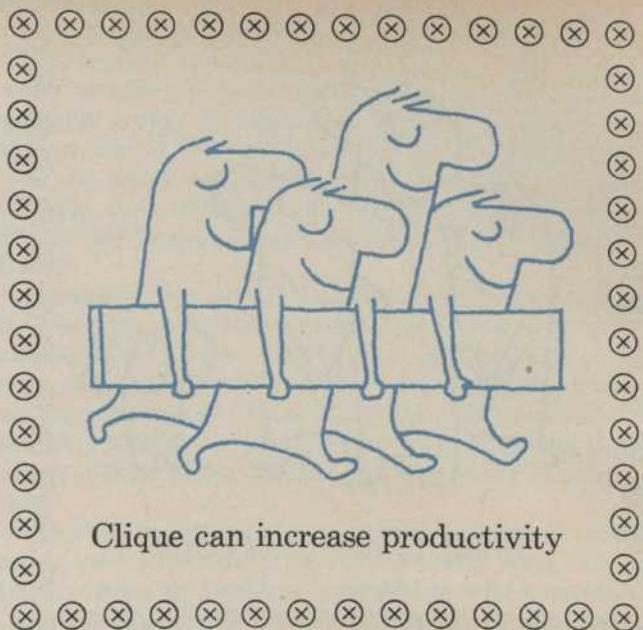
Within each of these major subdivisions are cliques. Even in top brass there will be cliques. The girls in the secretarial pool from a particular school may be a worker clique, the engineers in the sales force, or the Harvard Business School men in executive row.

In looking for cliques, the key seems to be to identify common ties which people might have. These ties can be affection, pride, insecurity, hatred, or simple gregariousness. The resulting cliques will have similar forms. Usually they are about as strong as the emotion which caused the members to drift together into a clique in the first place. Sometimes direct questioning will elicit accurate answers about cliques.

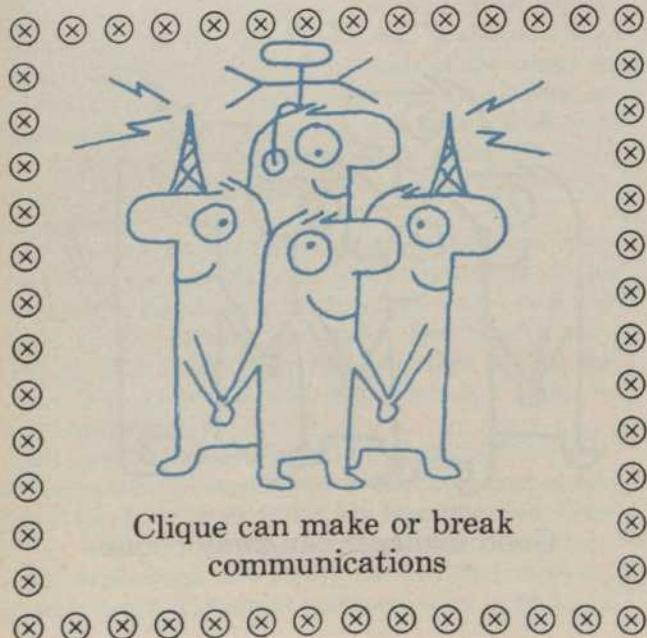
People are especially aware of cliques above them in social status, or to which they aspire. They often deny the existence of their own, not because they want to hide its existence, but simply because they don't recognize it as one.

Study clique operating techniques

The most important operating technique from a business viewpoint is the clique's ability to control its members' actions, especially their productivity, creativity and cooperativeness. A worker, who does more work than the clique has arbitrarily decided is a safe or decent amount, risks ostracism. This control



Clique can increase productivity



Clique can make or break communications

system can work to restrict output or upset the most soundly planned incentive system. It can also carry through to fabulous success any management plan which fits in with the special goals the clique has set. It resists change with enormous effectiveness.

The weapons of control most often used are exclusion from social contact, failure to include in luncheon groups, small talk or help on the job.

The clique rations congeniality and warmth, and sometimes extends outside the plant into the community. Unless the offender has some hope of being included in a different and better clique, there is little chance of his swimming upstream against his own clique.

The supervisor who can identify the cliques and their control systems can go further and seek out the basis of clique standards of control.

The best leaders get the clique pulling for them. In fact, they become informal leaders of the clique as well as the formal leaders assigned by management. The most effective and productive teams are cliques that have aligned their own goals with those of the administration.

In such cases, the full power and ability of the group will be brought to bear, and the results will be unsurpassed anywhere.

Assigning good workers to a hostile clique or one with low standards can only result in spoiling the worker. On the other hand, putting a loafer with a hard-working group can often boost his performance up to the group standard through clique controls.

One key indicator of group operating methods is a special language. Often this is simply a new use of plain English. In other cases it involves development of special jargon, such as "gandy dancer" on the railroads. Often these words are functional words commonly used in the day-to-day technical aspects of the job. In others, they are simply profanity. Occasionally, they are inside jokes, or hints, and innuendoes.

The manager who is sensitive and observant will

find that these things are open signs which a keen observer can interpret. With such indications of group sentiment, the manager can take steps to avert bad results, and encourage favorable ones, if he can interpret these signs as evidence of the modus operandi of the clique. In some cases, he may be required to proceed regardless of group sentiment, but with forewarning of resistance.

In other cases, he can try a different approach, or even defer his action with a view to winning clique support for his plan.

Working through informal leaders

Every informal organization has its informal leaders. These leaders are not appointed by management, nor selected by plebiscite, and have no guaranteed tenure. They are the individuals who seem best to articulate the emotional state of the group, and are most sensitive to its sentiments. Once established they are entitled to lead the group in particular situations, policing backsliders, and setting an example for the rest.

It is here that the greatest opportunity exists for working through the clique. If the assigned leader, foreman, office manager, or executive can earn the support of the clique, he will become its leader, even though he has a singular role in the group and serves management first.

If he speaks the language of the clique, he holds a key to moving the group toward standards which are satisfactory to the company and at the same time pleasing to the clique.

By controlling the communication system, he exercises special powers over group behavior. In practice, he can hold onto his informal leadership only so long as the group identifies him as being one of them. Once excluded because he has threatened the group's solidarity or made it feel inadequate, he will lose this control.

The group operates in such a way that a foreman may also be accepted by a worker clique, because cliques are loose groupings and a single individual may belong to several of them, even those with opposing interests—without such affiliations seeming inconsistent.

A person who is in good standing in several cliques is in a position to bring about teamwork, cooperation, and unity of effort.

The evidence seems to point to the organization man as the best manager for getting the clique to pull toward company goals. The nonconformist who wears a beard and Bermuda shorts to work can be productive only so long as the clique accepts this as normal behavior and him as one of the group. Tossed out of membership by the clique, the loner is likely to become so ineffective that he will be discharged for inefficiency, not merely because he fell out of step with the group.

Managers normally find that they need the cooperation of three or more cliques in order to function with any success.

They are obliged to get cooperation the informal organization way. Informal leadership as a method of managing then becomes skill in joining several cliques without seeming to be inconsistent to any of them.



From inside, a leader can sway the group toward the company goals.

Planning facilities

The physical facilities of the plant or office are important in managing the clique organization. Every desk, every chair, every office, telephone, rug, and tool used in the technical performance of work has a veneer of social significance in addition to its functional usage.

These serve to establish the social status of the persons to whom they are assigned. So do inequities in the assignment of office space, in tools and in differences in pay.

Being founded on sentiment, the clique cannot rise above the somewhat petty considerations of small differences in working conditions. It will buzz loudly at changes in desks, work layout, conveniences, and facilities which the social scientists call status symbols. Complaints are not based on actual physical comfort or discomfort, but on the social effects of change on the group.

In one case, a group of draftsmen in a New Jersey company stopped work because new air conditioners were installed in their department. Baffled by this reaction, the chief engineer spent several hours chatting with a delegation, explaining how the pieces were chosen, who selected them, and explaining "why the draftsmen weren't consulted."

Consulting key cliques may be an important consideration in managing the clique; the careful detailed planning of facilities. Often it means that key cliques must be involved in this planning; or at best, the managers of the respective departments must be consulted on the possible ramifications of such change.

—GEORGE S. ODIORNE

REPRINTS of "Put Cliques to Work for You" may be obtained for 10 cents each or \$6.75 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance with order.

Review of sales setup is first step to building a more efficient organization

What exactly do you mean by sales policy?

The word "policy" is subject to much misuse. A policy is defined by the [National Industrial Conference] Board, in its research, as a written statement of an organization's beliefs and intent, which serves as a guide for long and short-term planning, for the day to day decisions of management, and as a framework for the methods employed in achieving company goals.

A sound set of policies helps prevent managers and employees from undertaking courses of action which, although they seem expedient, are really inconsistent with the company's over-all philosophy and objectives, and may prove harmful in the long run. Sales policies, like other company policies, serve these purposes.

What particular sales activities require policy thinking today?

Recent studies of current marketing practices indicate that pricing policy, policies with respect to sales organization and channels of distribution, and policies on product service, inventory management, and product development and planning are most in need of consideration by the average company.

I think more sales managers are students of organization today than in any year that I can remember, except right after World War II.

In a good many instances, sales organizations have developed by bits and pieces over the years, starting perhaps with a rudimentary organization, when the company was fairly small, with parts added, functions added, and assignments made on the basis of personal qualifications or geographical or product changes.

We find today that fairly substantial companies are considering whether their sales organization should be redesigned along product or geographical line, or whether sales activities should be centralized in the case of, let's say, a decentralized company. There are serious considerations as to the relationship between sales and production, and particularly production control, between sales and credit, sales and

product research and development, and similar functions which are related to sales in the average company.

Such companies are starting out with a general review of their sales objectives, and the ways they can organize to meet these objectives. They are examining the advantages of the various organizational methods and attempting to redesign their sales organizations, not only to meet the current situation, but to take advantage of the expansion in sales which many believe will follow the current recession.

The same is true of channels of distribution. Often these channels have been decided either by historical practice, or by individual decisions made at the time new products were introduced.

What about pricing policies?

Manufacturers are now concerned about some present price-cutting practices. They feel, in the face of fairly rigid material and labor costs, these can create chaos that will leave markets unsettled.

The truth is that few companies have what can honestly be called a price policy.

Take, for example, the question of

product service. This cost can either be added to the original selling price, can be charged for as rendered, or a combination of both methods may be used.

Product service can be pushed as a promotional device, or as a sales incentive, or it can be avoided as a nuisance. A company can meet the prices of leading competitors and still adjust its own product service policy to give it an advantage.

The personal attention which smaller companies are sometimes able to give to customers' service needs often holds their market rather firmly. Those who advocate examination of policies, including pricing policy, would say that it would pay companies to examine what they hope to accomplish through their product service, how they intend to carry the costs involved, and then to establish methods which will achieve these objectives.

What about management of inventory?

First, few problems have been as troublesome to management for as long as inventories. In the current recession the effect of inventory imbalance is pronounced.

Second, control of inventories is intimately tied up with the average company's sales activity. Inventories are accumulated in anticipation of sales, and inventory management starts with sales forecasting.

The problem is most clear in the case of companies that sell to seasonal markets, where it is necessary to accumulate inventories over a substantial portion of the year to

New clues to crack salesmanship

TOP SALESMEN can be recognized early in their careers by their free-wheeling independence of spirit.

This is a finding of a study just completed by the Organizational Behavior Program of the Survey Research Center, University of Michigan.

The researchers studied 87 insurance salesmen who are members of the Million Dollar Round Table—men who have sold at least \$1 million of life insurance in one year. Also interviewed were 87 likely candidates for the elite sales group.

Million Dollar men, the study shows, are likely to argue with their supervisors over company policy and procedures—and leave the company if their arguments fall on deaf ears.

Men who have not reached the

heady heights of top salesmanship, on the other hand, display a more dependent attitude toward their companies, seem less willing to risk a clash.

Says Survey Research Center Program Director Robert L. Kahn:

"It would appear, therefore, that the greatest care should be exercised in the treatment of new agents who show independence of mind, even if their behavior seems to be reprehensible from the organization's point of view."

Other characteristics of crack salesmen are these:

Strong profit motivation.

Vigorous self-reliance.

Firm commitment to the business and their role in it.

Flexibility in their selling approach.

meet the peak demand which may fall in a short portion of the year.

Poor inventory management can result not only in substantial loss to a company in the form of inventory liquidations, but can place serious burdens on sales management. In the case of inventory excesses, sales management may be called upon to devise special promotions and schemes to reduce inventories. It may then find itself selling what might amount to a large share of total annual sales either at a loss or at far less than the profit that might be realized if these sales were obtained under normal circumstances.

The purpose of establishing policies in the case of inventory management is to resolve such fundamental questions as these: Will the company attempt to fill all orders as received? What delay in filling orders will be acceptable? What percentage of total orders may be allowed to go unfilled because of temporary inventory shortages? What sales policies is management going to follow in encouraging distributors and customers to accept products in off-season or in anticipation of actual demand? To what extent is the company willing to carry inventories for its distributors and customers?

Is inadequate forecasting responsible for current inventory imbalances?

There is no question that poor forecasting is responsible in many cases.

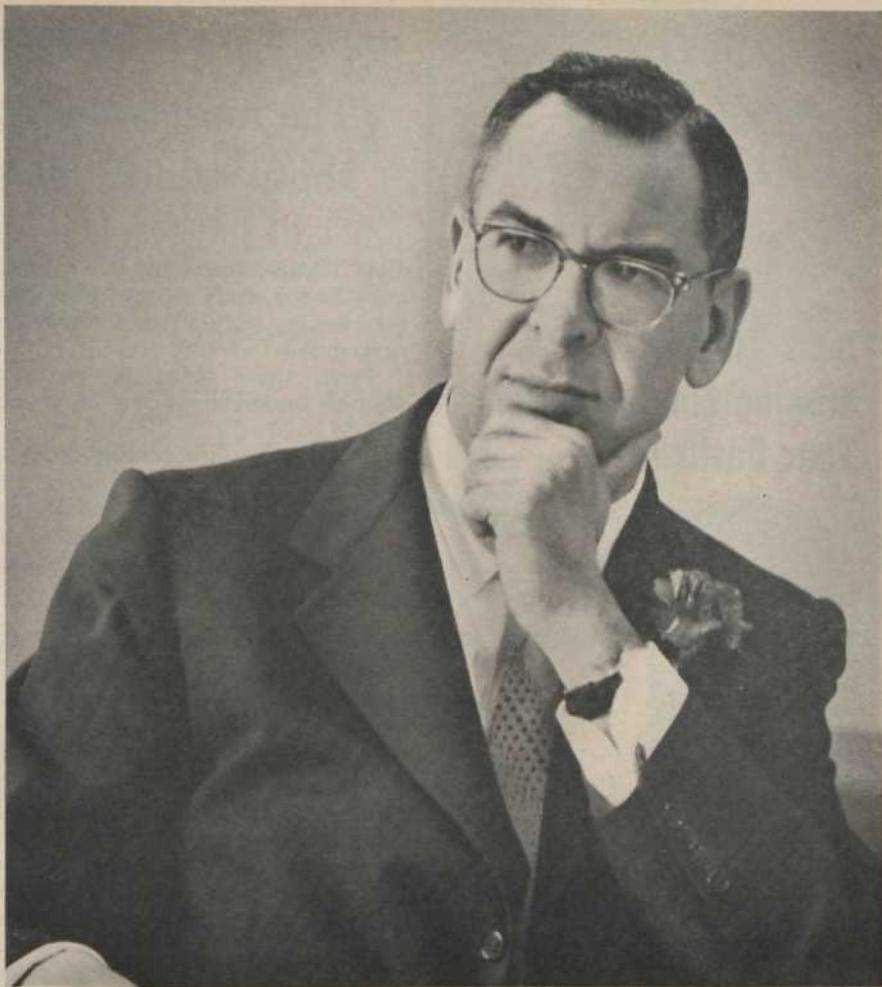
However, it is well to consider that forecasting is not a science. Even good forecasting has its limitations under circumstances such as we have encountered in the past year.

Despite improved methods, no one yet has found a substitute for good judgment. This is one of the most important tools of forecasting. Even our most refined statistical techniques begin with certain assumptions, which must be arrived at through common sense.

The executives who use forecasts based upon new statistical techniques must remember that at the base of all this refinement lie these assumptions which are really intelligent guesses.

Another danger is that those making and using forecasts usually exchange ideas with others concerning the underlying assumptions, and a certain inbred conformity results.

Despite these difficulties, however, many companies have demonstrated that a reasonable job of forecasting can be done, provided the method used is suited to the market situa-



How to build a strong dealer-service organization

BERTRAM GIVEN, President, *Waste King Corporation, Los Angeles, Calif.*, says: "In the past ten years, Trade Mark Service has helped Waste King become one of the world's largest manufacturers of household and commercial garbage disposers."

"Listings of Waste King authorized sales and service agencies under our trade-mark in the Yellow Pages implement a national program designed to serve Waste King customers promptly and efficiently."

"Today, with an expanded product line, we require more than ever the sales and service help rendered to our users by classified directories all over the country."

More and more national advertisers rely on Trade Mark Service in the Yellow Pages to direct sales to their dealers and distributors. Find out how Trade Mark Service can make your advertising pay off at the local level. Call your telephone business office.

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WASTE KING'S TRADE-MARK and sales message identify authorized Waste King dealers and direct sales to them.

The most valuable sales meetings are those which let salesmen participate

tion. Those cooperating in a Conference Board study suggest that good forecasting should meet these requirements:

First, those using the forecast should understand how it is obtained.

Second, the forecasting method should economically produce results which are timely and fairly accurate.

Third, sales forecasts should be in units and groupings which can be readily used.

How will long-range planning help in the short-run situation?

Without long-range objectives and plans, short-range plans are likely to be so changeable that courses being pursued one year may be contrary to those being pursued the succeeding year. As a result various members of top sales management and sales supervision may not all be working in the same direction at the same time.

Companies with long-range plans are more likely to have well developed and directed short-term plans that help assure a common effort on the part of all members of sales management. Such companies have a better chance of success in the present market than companies whose efforts are characterized by frantic confusion.

Might not long-range plans prove to be sort of a strait jacket?

No. Most of those who use long-term plans recognize that these plans not only need constant reappraisal and adjustment, but that particular programs employed at different times may be at variance with each other as long as they are consistent with the over-all goal.

For example, if a company decides, as part of its long-range sales plan, to vacate a given market, it would not rescind that objective and increase sales activity and promotional expenditures in that market simply because some immediate gain might result. It would feel that similar effort in the markets which the company has planned to expand might also produce immediate results and still carry the company along to its ultimate goal.

Long-range planning can actually result in greater flexibility than

short-range planning, or the absence of planning. It permits management, particularly middle and lower management, to move more rapidly and with greater assurance than is the case where every decision must be evaluated in the light of rapidly fluctuating opinion.

You place major emphasis on top general management and sales management?

That is true because policy and over-all goals must come from the top management. However, other levels of sales management, including district supervisors, regional managers, product managers, must study their particular marketing problems, make plans both long and short term to overcome these problems, and see that the work of their respective staffs is consistent with the company's over-all objectives.

As a matter of fact, one of the revelations of the current recession is the fact that a great many sales managers do not really possess the skills required to manage.

Those companies which have trained their sales supervisors and sales managers in an anticipation of their promotion to managerial positions have benefited.

Like top management, the sales manager's prime responsibilities are to plan, coordinate and to control.

But the sales manager's responsibilities go beyond that. Selling is a lonely occupation. The average salesman is on his own from morning to night, with little direct supervision. His job is filled with tension, high expectations, and frequent disappointments. He needs the help and confidence of encouraging leaders. He also needs aid in developing his own skills, and guidance in how best to utilize these skills. Sales managers must work closely with their men, give them the will, the enthusiasm, pride and ability to sell. Our studies show that the men who can do this best are those who have these qualities themselves, and can impart them to others.

How can sales supervisors best stimulate their salesmen?

First is training. Pep talks, contests, and sales meetings all have their part. But, unless the man is

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well trained, these can be wasted. Sales training not only imparts technical knowledge, but also imparts confidence to the salesman. It also develops a loyalty to the supervisor and to the company that has trained him. This loyalty and confidence are essential.

What kind of sales training works out best?

The companies we have studied have found that no one type of training is best. The formal type, that is, the sales school or the sales meeting, is probably best for imparting product knowledge to a large group of salesmen at one time, to familiarize them with the company's policies or programs.

However, on-the-job training, the personal training which comes from working with senior salesmen or sales supervisors, seems best suited to developing individual skills.

For training purposes sales management has found that a carefully planned, well organized and well operated sales meeting is an effective training tool.

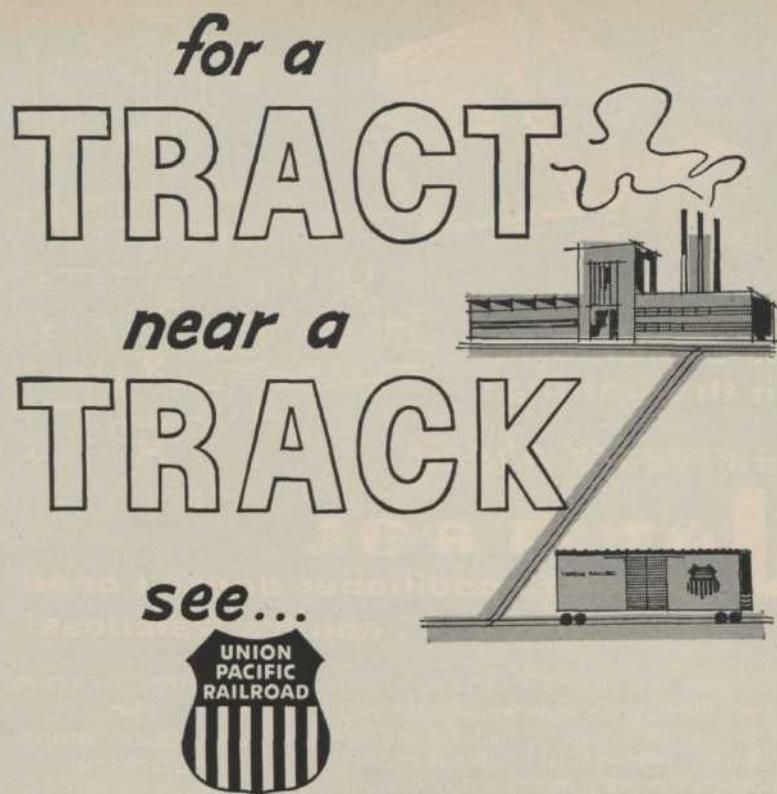
When it comes to stimulating salesmen, sales meetings have had varied success. Some feel that staging an extravaganza will send the salesmen out full of enthusiasm and will result in an immediate sales gain. Others have found that, unless a meeting has real substance and value to the salesmen, the stimulation will have a short life, and can in some instances actually undermine morale as, for example, if salesmen in the course of such meetings are stimulated to believe that a certain approach to the market will bring spectacular results, and then go out and come a cropper.

What type of sales meetings do you recommend?

Let me inject here that the Conference Board is a fact-finder and analyst. We do not make recommendations. However, the men we have spoken to feel that no one format produces the best results. Simple, quiet sales meetings, set up in a district sales office with the most simple appurtenances, can be just as effective as large annual sales meetings, complete with vaudeville acts and other surprise performances.

The really important thing, these men say, is that the meeting be directed at the needs of the men, and have a significant message.

A type of meeting which they have found to be valuable is one which permits the salesmen to participate. In the smaller district sales meetings this is more easily ac-

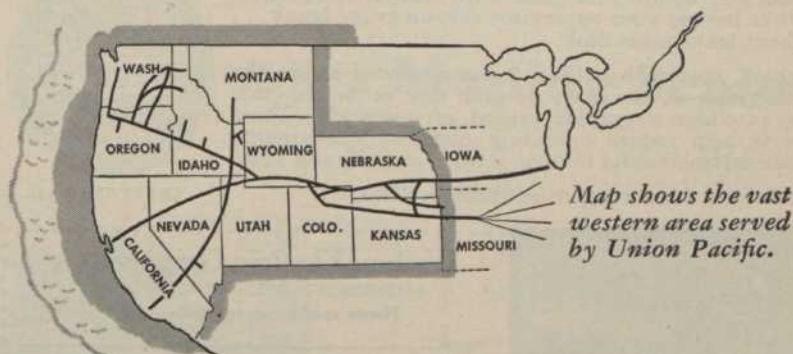


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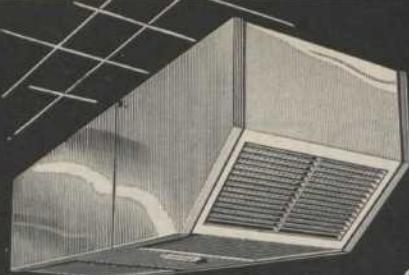
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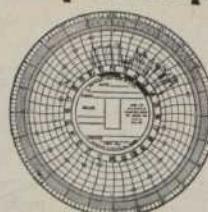


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WAY TO MORE SALES

continued

This is opportune time to build up a good sales force

accomplished because points that are raised can be discussed and management can react in accordance with the views expressed by the salesmen. In larger meetings this is difficult, but some companies have worked out systems permitting two-way communication, even in large meetings.

This has involved, in some instances, sending agendas of these meetings to all the salesmen who will participate, inviting them to suggest items for the agenda and to pose questions. The conference in other instances is broken up into smaller groups, and spokesmen are appointed to pose questions to a panel or actually to sit as a panel.

Another point that these sales managers have made is this. If salesmen who participate in these meetings find that, after the meetings, management doesn't act on their suggestions or if promises are not fulfilled, they are going to have little regard for future meetings of this type.

This leads to another point which I think is important. That is: Salesmen must have genuine and heartfelt enthusiasm to do their best job as salesmen. This type of enthusiasm cannot be demanded or expected or even bought.

Do you find that there is still a shortage of qualified salesmen?

Our recent contacts in the field have indicated that in past years there has been a rather severe shortage of skilled salesmen. This is likely to reoccur over the next five to 10 years. Some sales managers feel that this is an opportune time to develop a sales force so that the company will not be caught short in the next rising market.

Are there any new sales tools that management can use at present?

The best sales tools available today are the old familiar ones—good organization, careful study of the market and the product, sound planning, intelligent promotion, intensive training, enthusiastic selling, adequate reward, common sense, and hard work.

END

BOOST BUSINESS

continued from page 37

less, and be in a position to balance the budget or to reduce the national debt, or both.

If your bill should not be passed this year, will it be reintroduced next year?

I feel so strongly that such legislation is in the best interest of the United States—particularly of the wage earners—that I should continue to introduce and fight for such legislation as long as I am in the Senate.

If the economy should take a marked up-turn soon, would the legislation be just as vital?

I think the legislation would be just as vital, because we should have overhauled our depreciation tax laws many years ago. The depreciation tax laws of the United States are less liberal than any other industrial country in the world.

Senator, would you care to expand on that any?

Yes. In Germany, for example, expenses incurred for short-life assets can be fully deducted from income in the year of acquisition. In The Netherlands, too, fixed assets of small value may be written off in the year they are acquired. Another stimulant is a credit against tax for improvement and purchase of capital assets. This credit is in addition to normal depreciation so that a taxpayer spending more than a minimum limit is allowed the equivalent of depreciation of 120 per cent of cost over the life of the asset. This allowance for investment is a trend discernible throughout Europe as an excellent stimulus for investment.

Who should be the most enthusiastic about this bill?

It is obvious that the most enthusiastic supporters would be the men and women who want and need jobs, and the men and women who run the 10 million business units which could provide these jobs.

Senator, what can wage earners and businessmen do to get this type of legislation enacted in Congress?

Immediately contact their Congressmen and Senators, and the Secretary of the Treasury, and the President of the United States, express their interest in the legislation and urge its enactment.

END



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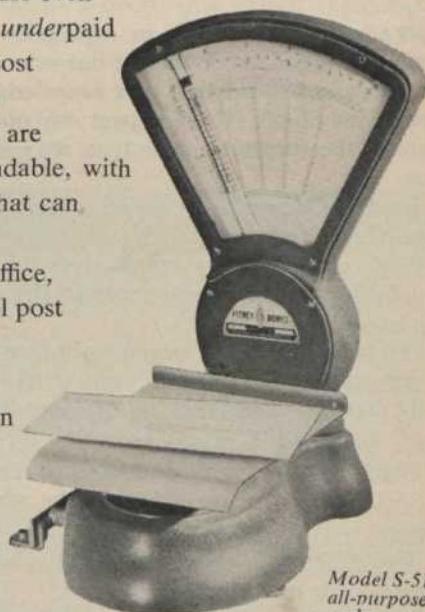
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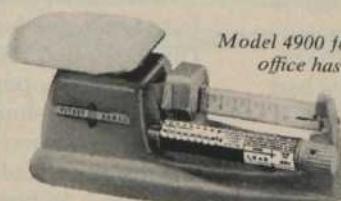
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STAGE SET FOR **FASTER PROGRESS**

Technology alone can't assure the growth America needs

TODAY THE WORLD is in a position to learn more and to advance faster than it has ever done. However, this does not mean that new knowledge or new progress is inevitable. If we expect our optimistic predictions of the future to come true, we need to remember this:

Progress depends on social concepts as well as on inquiring minds.

A glance at history emphasizes this. Consider this timetable of man's mastery over the elements of his environment:

500,000 B.C.—man began to improvise tools.

300,000 B.C.—he began regular tool-making.

15,000 B.C.—the making of somewhat complicated tools was started.

10,000 B.C.—man was using fire regularly.

3500 B.C.—the use of lamps, the wheel and writing began.

3000-1000 B.C.—man began to shape clay, work bronze, iron and steel.

900-100 B.C.—the Chinese adopted stern rudders for ships, the curved plow, the crossbow, and movable type; the Egyptians discovered the earth was round, measured its diameter, and circumnavigated Africa in boats with watertight compartments.

By 100 B.C., the Chinese had rigs for sailing ships, seed drills with hoppers and were doing deep digging for water.

The atomic theory had been developed in Greece. The basis for technological and scientific advance had been laid both in Europe and in Asia by this time.

Then progress stopped for 1,500 years.

The Chinese developed a social order which placed a high value on precedence and less value on research in the natural laws and wide use of the discoveries made. If the Chinese from, say, the first century B.C. on had possessed our social philosophy, the world

might have reached the Atomic Age by the Fifth Century instead of the Twentieth Century A.D.

In the West progress stopped even earlier.

When the Romans came to dominate the Mediterranean, they learned how to use the arch effectively, to build monumentally and to use cement, plaster, wood and a rude chemistry. But their civilization was exploitative rather than creative. They did not encourage the blending of the inquiring mind of the Greek philosophers with the experimental "let's test it" attitude of the competent artisan, in an environment which permitted and rewarded research. Practically no progress in science was made in the West from 500 B.C. to 1500 A.D. Much of the astronomy of the Assyrians and the science of the Egyptians was lost.

The Crusades brought a new social climate and Europe again was ready to advance. Mathematics, chemistry, physics and astronomy grew more from 1500 to 1800 than they had grown in the preceding 2,000 years. From 1800 to 1900, technology advanced even more rapidly.

Not only did social and political environment encourage experimentation—economic pressures drove the new knowledge out of the laboratory and into the market place.

Wind power had been known for thousands of years but it was not harnessed effectively on land until the Dutch needed lots of energy to pump water into their canals. Steam power was known but effective engines were not developed until England's forests were depleted and power was needed to pump out coal mines and to hoist coal. When mass demand for a product developed, technology developed with it. But mass demands have been recognized and satisfied historically only in economies which recognized the importance of the individual and placed a high value on justice.

The American scene offered the best combination of these conditions the world had ever seen. After British control over the development and invention of new processes in this country was broken, technology was encouraged and rewarded as never before. Europe had more resources than the United States throughout most of the Nineteenth Century. It had more population, more transportation facilities, more science, more of most things. But the political and social environment did not offer the opportunity and the reward for technological development that the U. S. offered.

In America, too, the economy has been under pressure. This pressure came, among other reasons, from the fact that in the U. S. the geographical frontier kept draining human resources from the settled areas. This made labor scarce and expensive. Rising standards of technology were necessary to compete for the labor available.

This encouraged experiments in mass production. In Europe in the Eighteenth and Nineteenth Century science tended generally to be something for the elite. The United States evolved a democracy of science and technology as well as of government. The small factories in New England, run by water wheels, adopted

technologies dreamed up by the settler craftsmen. Whaling ships and clippers evolved from the practical experience of the townsmen of New England, not from scientific studies. This utilization of workers' skills and imagination was an important aid to our rapid progress.

A related political aspect of American life which made progress relatively rapid was the concept that any business was open to any individual. The guild limitation on the right of individuals or corporations to enter a business or a trade has been almost unknown through most of our history. Monopolies developed vigorously for a brief period after the Civil War but they were alien to our way of life, and were not tolerated for long. New ideas and new methods of doing business were welcomed here, as they were not always welcomed abroad.

Technology could improve rapidly here, too, because we could borrow from the rich heritage of Europe and Asia. American schools and American industry tended to support applied science and engineering rather than basic research. This was true until World War I, and to a decreasing extent thereafter.

The existence of a frontier with its resources, the



Ancient Chinese made tremendous progress until stopped by a deadening social philosophy



In the West, Roman progress stopped because their civilization was exploitative rather than creative



Today science and technology can move forward given the proper political and social climate

More encouragement to research could greatly advance science and technology

draining of manpower from the settled area with the resulting pressure on wages, the fact that anyone was entitled to compete and contribute his ideas, and the rich resources of European science, all created an environment in which energy, initiative and intelligence were rewarded.

The results were particularly noticeable during periods of military conflict when needs were most urgent. The War of 1812, for instance, brought mass production. Eli Whitney developed the concept of interchangeable parts in large measure because there were not enough skilled craftsmen at low enough wages to make the guns the government wanted at the price the government was willing to pay.

The Civil War brought similar developments. The sewing machine was created because hand sewing was not equal to the task of making uniforms at the price the government was willing to pay.

The typewriter had its genesis in the shortage of manpower during and after the Civil War.

America has progressed, finally, because its citizens have been ingenious in meeting old needs in new ways. Whitney did not develop a machine which would file one piece down until it matched another. He developed a machine which turned out duplicate pieces. Singer did not develop a machine to push a needle through the cloth, turn it around and bring it back. He developed a machine which pushed a needle part way down, in harmony with a moving shuttle.

This willingness to accept entirely new ideas quickly also tended to distinguish us from the rest of the world. It assured experimenters that the better technologies they developed would be accepted.

Our growth was so fast that by the end of the 19th Century many felt that the limits of knowledge were being approached. But far more basic discoveries were made between 1900 and 1950 than had been made in all preceding history. Scientists were beginning to wonder if the neutron might not be broken into many parts as the atom had already been broken; the telephone was freed from wires; television was using principles of physics and engineering which

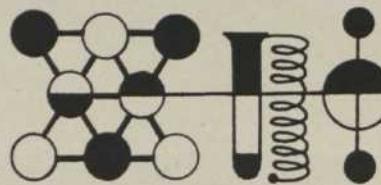
would have been completely incomprehensible only 30 years earlier.

Today the chances of new and even greater discoveries are better than ever before. Science and technology are ready.

They were also ready 2,500 years ago—and nothing happened.

If we are to have the progress we now expect, it will be because we have a research-minded government and a research-minded business community backed by a social attitude which encourages new developments.

Since our early days, government has encouraged research. The Navy from its beginning hired inventors to improve known devices and develop new ones. The federal government



underwrote Eli Whitney to a considerable extent in his development of guns. The Department of Agriculture, when it was established in 1862, encouraged research. By 1930 the government was spending approximately \$25 million on research. This fiscal year, its expenditure is expected to total \$4 billion.

In addition to such direct encouragement, the government can provide indirect stimulants as well.

It can help first through the tax concessions it now offers for expenditures on research. Money spent on research and development can be charged off as an expense in the year it was spent. It does not need to be capitalized. An idea that costs \$100,000 to perfect may be as profitable as a new machine which costs \$100,000 to buy and install. It may be possible to write off the machine in 10 years for tax purposes. The \$100,000 spent on R & D to make the idea work can be written off for tax purposes in one year, if the work took not more than one year to complete.

The government can also help by letting contracts which require research. It is expected to obligate

more than \$3 billion for R & D to be done by nonfederal organizations in the current fiscal year.

Finally, government can adopt taxation and depreciation policies which create incentives for individuals and companies to search out the new and put it to work.

Spurred on by such incentives, business will have not only more money but a greater challenge in its search for, acceptance and exploitation of, new ideas. The problem is considerably more complicated and expensive today than it was 25 years ago, or even 10 or 15 years ago.

In those days progress often meant in large part the application of concepts already developed by others. Now it more and more means research into basic science where the wisdom of pursuing pure knowledge must be taken on faith.

Less vision was needed to support research in the past than will be needed in the future.

When it was discovered that sending electricity through a coil would create a magnet, for instance, developing the telegraph instrument was a fairly simple technical problem. The question, "how to produce good wire cheaply," was less easily answered, but it could be defined in practical terms and the need for solving it defended in simple language.

What was the life of insulation A as against insulation B under temperature conditions D or temperature conditions E? Would it be safe to sell wire coated with insulation A to a firm which would use it in the Tropics or to a firm which would use it in the Arctic?

The solution to today's problems may come through completely unexpected developments in a high vacuum tube, in a low temperature chamber, or a high temperature arc using rare alloys. No one today can tell where a new path will lead when it passes the current frontiers of knowledge.

All we know is that some of the paths will provide materials undreamed of, which will be of far greater utility and lower cost than we can turn out with even the most effective tools at our disposal today. So, industry must maintain and support pure as well as applied research on a basis of faith.

The unpredictable results of pure research have one big advantage—they offer unprecedented opportunities for diversification. A slight change in a formula may make a chemical now used solely by the steel industry an eagerly sought material for powering jet planes or missiles. Research increases the diversifica-

tion of markets, and thereby offers the probability of more stable, as well as expanding, sales.

Larger companies recognize this. They tend to budget a specific percentage of sales to research, both pure and applied.

The problem is much more difficult, but not impossible, for smaller companies.

They are finding it profitable to invest in applied as distinguished from pure research.

The smaller the company, on the average, the larger the proportion of the staff doing research and development work. The research, however, is somewhat more directly related to operating problems and in some ways more expensive to sustain for the small than for the large firms.

Pure research, however, is not being conducted directly to any extent by smaller firms. As pure research is becoming increasingly important, this is significant. There are several ways in which the handicaps facing small business in this matter may be overcome. One of the easiest is for small firms, singly or through trade associations, to help support research in colleges and universities. Small sums can go further for research on a college campus than in most small company laboratories. Small companies can also, either singly or through their trade associations, support research through private research organizations.

The total outlay — government and nongovernment—for research and development is estimated at \$10 billion for this year. If the national economy is to continue to grow at past rates, these expenditures should grow about 65 per cent in the next 15 years and the number of engineering workers should a little more than double.

The increased demands for skilled workers which this increasing interest and attention will create is illustrated by the Census reports which indicate that employment in science and technology was less than one tenth of one per cent of the labor force in 1870. It rose to five tenths by 1910, a rate of growth of four per cent per year, compounded annually. By 1950 the number of persons employed in science and technology was 1.7 per cent. This was about 3½ times the proportion reported in 1910, or a rate of growth of more than three per cent per year, compounded annually. In terms of engineering only, there were about four times as many engineers per 1,000 workers in 1950 as in 1910.

The fact that skilled technical jobs will increase much faster than un-

skilled jobs is well known. The newer machines require more skilled labor to operate and their maintenance requires more highly skilled labor.

The need for a growing percentage of increasingly well trained workers is recognized, too. Industry can serve itself, and the country, by supporting colleges and universities. This opportunity is open not only to larger companies but to small companies as well. A small company may be able to help the equivalent of only one, or a dozen students, or pay the salary of only one or two professors. That may seem too insignificant to be worth the effort. But if one half the firms in the country were to support, on the average, one student only in undergraduate or postgraduate work, more than 2.5 million students would be provided for. Or, if the net costs to the colleges represented by the difference between college costs and student payments were to be accepted by half the business firms, the cost per firm would be small. Direct gifts to colleges and universities last year, by business firms, totaled something less than \$80 million or less than .2 per cent of profits before taxes.

As the importance of research rises, and as the cost of the training required to conduct research rises, the law of self-preservation would seem to suggest that small and large firms examine the opportunities for helping train the scientists and research personnel of the future.

The law of self-preservation demands, too, that the people who will benefit from these expenditures insist on a social climate that makes them possible.

If these people insist that the funds which might support research be taxed away and spent for other purposes, if they demand laws which so restrain commercial enterprises as to cripple initiative and deny the right to profit from new products, or support labor restrictions on new machines or new processes, the progress which seems certain now can be prevented.

Technical progress in the West was virtually halted for 2,000 years because the political and social climate did not encourage the blending of inquiring minds and skilled craftsmanship.

We cannot have adequate and scientific progress today unless we go a step further and encourage the exploration of the unknown, whether or not it appears to offer an immediate tangible reward. Pure research, based on faith, is now a cornerstone of progress.

—ROBINSON NEWCOMB

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YOU CAN HELP WORRIED WORKERS

Here's what to do when employes come to you with their problems

EVERY MANAGER is a counselor whether he realizes it or not.

If he is a good one, more of his subordinates will come to him with more of their problems. He will know more about what goes on around him. He will understand his people better and get better work from them.

If he is a poor counselor, he will do less counseling, but the work situation will continually force his men to come to him with problems they can take to no one else.

Those who feel that they are inadequate as counselors, or dread the need to counsel, can improve their ability by attending conferences, workshops and courses offered on the subject. Or they can practice alone. The first step is to know and understand the types of counseling, and then adapt them to the situation or to the counselor's aptitude. Basically there are six types of counseling:

- Telling people what to do.
- Giving information.
- Manipulating the environment.
- Manipulating people.
- Catharsis.
- Psychotherapy.

Skill in using these methods may be improved if the counselor records his interviews, plays them back and listens critically to himself. He can do this under the supervision of a consultant or a professor, or he can do it alone. Either way, he is almost

to see an attorney or physician. It may be what he wants when he goes to see his boss, or it may not. It is the kind of counseling he is most likely to get. Most of us think that when another person asks advice he wants advice. And most of us enjoy giving it.

Recent findings suggest that most counselors tend to dominate their clients more than they realize, and more than even they think they should. And it has been said that the poorest person to choose for an adviser is one who likes to give advice. Even when an employe asks advice, this is not always what he wants.

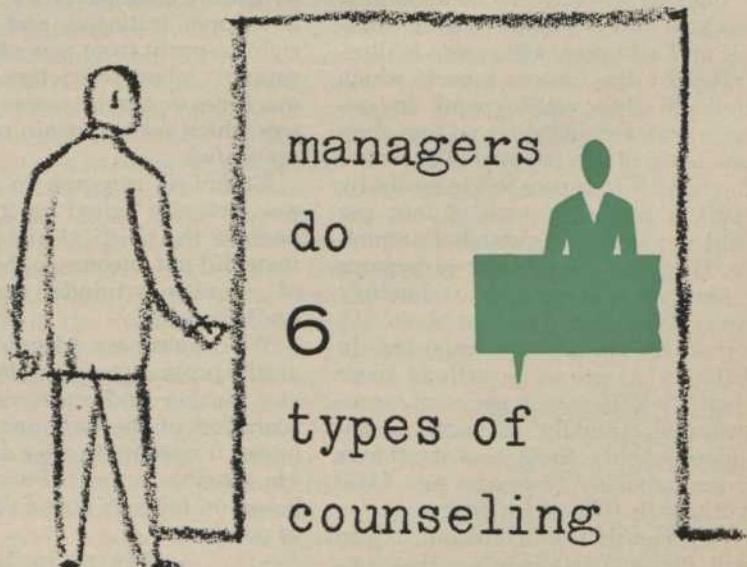
Giving information

The counselor does not tell anyone what to do. He gives him all the information he has that he thinks may be helpful to him. Sometimes this is all he needs and he solves his own problem.

This concept of counseling may appeal to those who have a retentive memory, a good deal of information and experience. It appeals to those who want to help people without dominating them, or who do not want to stick their necks out. It does involve one risk that may not be apparent: The choice of information presented, the tone of voice in presenting it, may reveal the counselor's own values, his own bias, even his own opinion of what the employe ought to do. This may not be bad, if you realize what you are doing. It can be bad if you do not.

Manipulating the environment

The employe is trying to do a job or to solve a problem and he encounters an obstacle. He lacks the re-



sources, or the connections, or the authority to remove the obstacle. You are able to remove it for him. You do. He is happy and you are happy, unless in the process you have offended someone else.

This kind of counseling can do much to keep the wheels of progress moving, to build a cordial relationship with employees so that they will feel free to come to you with their problems. It has one disadvantage. If overdone, it may encourage your staff to lean on you when they ought to be making their own decisions and removing obstacles which they do have the authority and resources to remove.

Manipulating people

You want your employee to do something, but you do not want to order him to do it. So you contrive an excuse for discussing the subject and counsel him to do it.

This method sometimes works. It can backfire badly if the employee suspects that the discussion is a sham, that you have already decided what he is to do. If he suspects that you are trying to trick him into thinking that he made a decision when he really had no choice, he will soon tag you as the kind of boss who wants him to be a yes-man. Then future counseling sessions will become guessing games. You pose the problem and the employee tries to guess the answer that you have already decided upon.

Catharsis

The employee has something he wants to get off his chest. You let him talk. You do not agree, or disagree, or argue. From time to time you may summarize what he has told you, or the feeling he has expressed. In this way you show him that you are listening, that you comprehend, and that you think he is important enough to be worth your time and your attention.

Sometimes this assurance of his own importance is all that he wants or needs. You think you have given him nothing, but he goes away contented. Actually you gave him a great deal. You restored his faith in himself. By your actions you convinced him that you—his boss—a very busy man—think that he is important enough for you to listen to.

Sometimes the employee faces a problem that has him worried sick. He has tried to solve it. He thinks about it all the time. But his thoughts just seem to go around in circles. They never come out anywhere. He cannot reach a decision that satisfies him. Finally, the pres-

sure becomes so great that he spills it all to you. You listen. You encourage him to talk fully and freely. You do not interrupt. You do not criticize nor commend. You offer no advice. But something happens.

When he has put his feelings in words, they become a little less intense. The pressure eases. He is able to think a little more clearly. Just to tell his story, he has to organize his thoughts into some kind of logical presentation. In the process he sometimes sees his difficulties in a new light. He begins to feel that there is some hope of solving his problem after all. Again you have done nothing but listen and reflect his feelings. But you have helped him.

You cannot, of course, solve all the complex problems of all employees by just leaning back in your chair, nodding your head, and saying "uh-huh" every time he stops for breath. But there are times when this is the best thing you can do for him. And it is sometimes a smart thing to do when you do not know what else to do.

Psychotherapy

Psychotherapy is appropriate when the problem is one of emotional conflict within the individual himself. He wants two things. He cannot have them both. He cannot choose between them. Or he wants to do something but he is afraid to try it, or he thinks others would disapprove, or he thinks it would not be right to do it. Psychotherapy seeks to help him to clarify and to accept his own value patterns, to live by his own standards rather than by those which others would impose upon him; thus to resolve his conflicts or to learn to live with his neuroses.

Psychotherapy may be nondirective or client-centered, in which case it resembles catharsis, usually extended over several interview sessions of about 45 minutes each, with the addition of occasional interpretations by the counselor. Or the therapist may take a more active role, as do many psychoanalysts.

Psychotherapy is something that you will usually not undertake yourself because you cannot spare the time. You will, perhaps, occasionally refer one of your employees to a good therapist in whom you have confidence.—ROBERT HOPPOCK

REPRINTS of "You Can Help Worried Workers" may be obtained for five cents a copy or \$4.00 per 100 postpaid, from Nation's Business, 1615 H Street N.W., Washington 6, D.C. Please enclose remittance with order.

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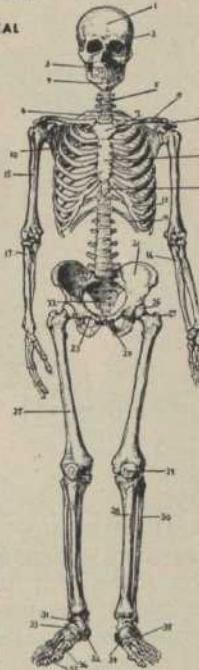
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MAKE RESEARCH PAY

Guides to effective control
will ease management's job

ONE OF THE BIGGEST enigmas in management today is the administration of research. It probably will be an even bigger puzzler in the future unless each business can answer to its satisfaction these questions:

What kind of research should be done?

How can research be controlled and evaluated?

How is it possible to get the most out of research?

Not long ago, management looked somewhat askance at research, especially basic experimenting. Pure research, the critics said facetiously, is "when you don't know what you're doing but can prove it won't be useful." The research expenditure was an impressive figure to have on the annual report, and those scientific fellows were quiet and hard-working enough if a bit peculiar, many managers thought. But does research produce results? they wondered.

Now in the hard race to create new

products, improve old ones and find new and better ways of running all phases of organizations, most firms either perform or purchase some sort of research. And research has shown results in new products and processes. Spending for business and industrial research and development will reach about \$7 billion this year. By 1960, this outlay is expected to climb to about \$9 billion.

Though research activities are receiving increasing emphasis as a continuing part of the job of keeping ahead of competition, at the same time research today is getting a cold eye from cost-conscious managers now tightening up on all operations. More and more energy is being applied to answer questions about research.

The Graduate School of Business and Public Administration at Cornell University recently devoted its tenth annual management conference to some of the most important

problems of administering research. The conference, run by the graduate students, drew managers, research directors, consultants and men from executive positions throughout industry. The symposium came up with a number of ideas and guideposts for solving industrial research management riddles.

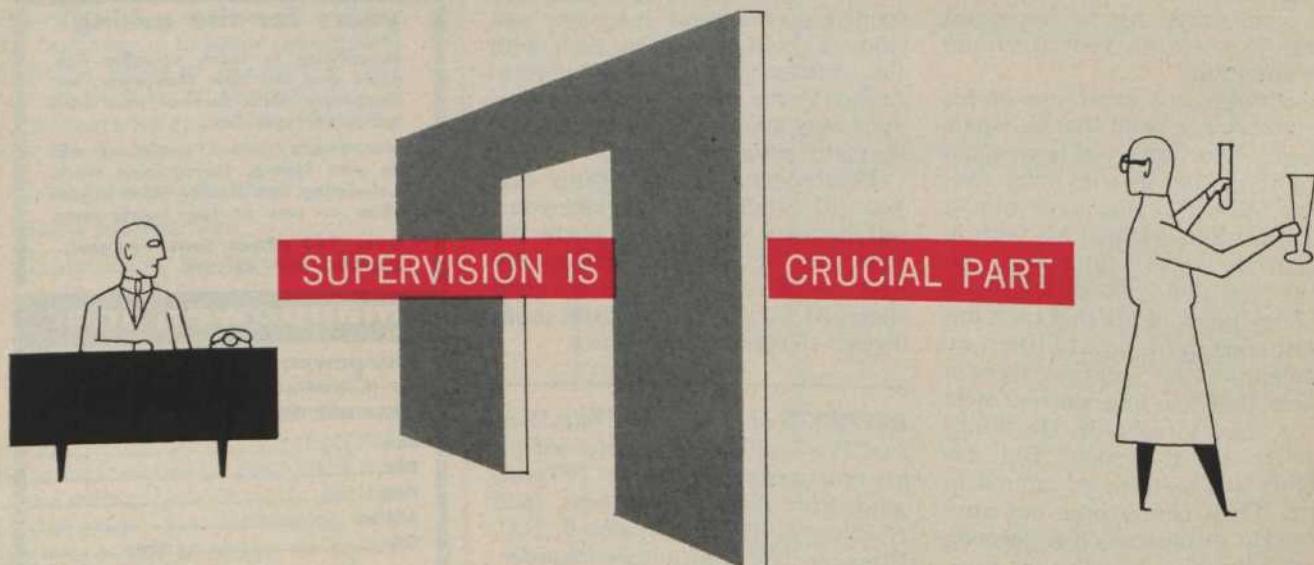
Kind of research

Since management must approve and help select what and how much research will be done and by whom, managers must know what factors are involved in their own companies.

Coordination of research projects with the company's policies and goals is the obvious first consideration. Such factors as long range economic forecasts, competitive position, company strengths and resources should be weighed.

Research program objectives must be judged in three environments, according to Dr. Warren C. Lothrop, director of the research and development division of Arthur D. Little, Inc. In the cultural environment, it must be decided what contribution can and should be made. In the industry environment, the competition helps set the rules for product and process improvement. In the company environment, the nature of the management—authoritarian, paternalistic, or enlightened—determines the program.

Irrespective of company size—notes Dr. J. A. Leermakers, assistant director of the Eastman Kodak Company research laboratories, those responsible for screening the research and development programs must know the company's manufacturing facilities and financial resources. In addition, he adds, experience of the manufacturing



organization and ability of the sales organization must be considered in deciding on an area of new product research.

Many companies also require written estimates from laboratory directors as to commercial fruits research is expected to bear, costs of programs, and time involved.

In brief, the major considerations, says A. E. Hayward, chief, Program Coordinating Office, Army Biological Warfare Laboratories, are to determine the best set of projects you can investigate with your people and the resources under your broad goals and as quickly as possible.

In determining priorities, said Mr. Hayward, his organization has examined past projects and identified several categories of research. When a new program comes up, the possibility of success, cost and time requirements can be measured against similar projects of the past.

Whether a company will do research itself or have it done on the outside by a research firm or by a school, is another important question. Generally, a company will do its own research if the research is continuing in nature, if it is directed to recurring problems and if the company is equipped.

One-shot or special projects may well be done on the outside. Strong support favors the universities for pure research that is done outside the company. Universities have several scientific disciplines represented on their faculties. They have an atmosphere of freedom of thought and freedom from pressures of schedules and commercial application.

Roughly five per cent of industrial research is basic or fundamental, though some companies devote more investigation to this area. According to Dr. Ernest Weber, director of biochemical research and development, Charles Pfizer & Company, Inc., his scientists are allowed to spend up to 15 per cent of their time in exploring any ideas they may have.

Close communication between the management and researchers as to methods and details of research programs is essential.

Controlling research

"Industrial research is one of the most difficult of all activities to measure and control," notes Dr. David A. Thomas, assistant dean of Cornell's Graduate School of Business and Public Administration. It is constantly changing and its problems range from trying to fix costs to dealing with highly complicated personalities.

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Here are six points for evaluating the probable success of a research project

fully kept tabs on production, sales and financial aspects of the business, it is now searching for accurate means to control research and development and evaluate its productivity.

As Dr. Leermakers points out, research usually can't be judged in terms of a salable commodity until some years after the work has been started. Its assessment may be on the basis of importance of what is explored and the potential value of successful programs to the company.

Quantitative methods are used widely to help decide whether to start, continue or stop development projects. They include market surveys to indicate potential sales volume and price along with cost estimates for manufacturing facilities, materials and labor. But these are at best good indications. More mystery envelops attempts to predict the cost and success of research into new fields. Judgment and intuitions play a big part here.

Although he says no rules exist for measuring research exactly, Dr. Leermakers outlines six principles for setting up any system to evaluate R & D:

1. Evaluation can be made fairly only in terms of assigned responsibility. Management must make clear what it expects of the laboratory. This assignment may change as a result of research findings, competition, the decision to diversify or some other policy shift. But, in any case, the research people should know what they are supposed to do.

2. Any system of evaluation or measurement should be agreed on as workable and realistic by both management and the research directors.

3. Evaluation should be followed by action. Whether it is a decision to make a newly invented product or to give up a project that's impractical.

4. Evaluation should be on a continuing basis. Drastic changes in a research operation are bad. It is inefficient to add technical people faster than they can be absorbed and trained even if space is available. Sharp cutbacks are equally undesirable, experience has shown. The scientific staff becomes discouraged, disorganized and less effective. Also the reputation for instability may spread throughout the industry, and collective special knowledge lost in

retrenchments may take years to replace.

Systematic evaluation, Dr. Leermakers stresses, gives the research director a chance to review with management his appraisal of the relative importance of elements in the research program. Then staff and effort can be switched into new areas and emphasis shifted to permit orderly expansion and contraction.

5. Evaluation should be made on the basis of both long and short-range objectives. A satisfactory ratio between the two elements of research would provide the products the business needs in the immediate years ahead as well as insuring its growth over the long run.

6. Evaluation should consider intangible factors. These include maintaining a reservoir of knowledge and

Turn back

to page 34 if you
missed reading "How
to Enjoy Your Job."
In it, experts tell how
getting more satisfac-
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help you get ahead

talent that can be applied not only to research but also to other technical needs, such as in manufacturing, sales and management. The public relations value to the company of a research and development program in the scientific, commercial and financial world can't be ignored either.

As Dr. Leermakers notes, a well staffed laboratory under a capable director will always have more problems it wants to investigate than there are funds available to pay for the work. Since other departments have suggestions and wants, the best determination must be made as to what is likely to pay off commer-

cially. Research activity has to be judged as part of the company's team operation.

"A sort of shibboleth has grown up," notes Estill I. Green, vice president of Bell Telephone Laboratories, "to the effect that organization charts inhibit creativity.... All I can say is, experience teaches me otherwise." A sound organization structure, with responsibilities clearly defined, he maintains, is vital to research accomplishment. Each division and subdivision needs objectives spelled out. Even in basic research, the general field to be explored should be defined, he said. And in development for manufacturing, detailed plans designed to yield specific results are needed.

Mr. Green says he takes with a large sprinkling of salt the argument that nonconformity leads to creativity. Complete freedom for the researcher would lead to chaos, he says. The freedoms that are really important are these: Basic research should be free from development demands; and development programs should be free from researchers who try to hold on to pet projects.

The Manhattan Project, which developed the atomic bomb during World War II, was dramatic proof an organized research program could succeed under the pressures of time and with little interchange of ideas and knowledge of how each scientist's work related to his colleagues'.

Whether the theory and fundamental research that led to the bomb could have been developed under this system of organization is another question. Certainly the applied research results were successful.

Evaluating the results of research is largely a job of evaluating the people who do the research, Mr. Green contends. His organization has rating forms and rank order lists, he said, and makes various comparison of individuals on the basis of individual judgment, too.

Prof. Earl Brooks of Cornell's Graduate School, maintains that objectives can be set, specific duties can be pinpointed for each job; that reports can be made on progress and performance in evaluating research people as well as other employes.

Dr. Richard E. Humphreys, assistant director for technical development, Armour Research Foundation, says that a technical supervisor can best judge and evaluate the people under him on the basis of his own professional knowledge as well as his understanding of the job duties.

One midwest company uses this system of upgrading: Each year it ranks all its R & D people and dis-

charges the bottom 10 per cent. Normally employees welcome the firing of others who do not produce, but the midwest company's policy is generally regarded as drastic.

Pittsburgh Coke & Chemical Company uses a cost distribution technique to dissect its research and development expenditures. This puts a price tag on specific exploratory work, says Robert Niblock, administrative assistant to the director of research and development.

The company lists costs such as labor, supplies, travel and so on for various categories, such as new products and processes, improved products and technical services to sales. Then each category is plotted on a graph to show cost and time spent on each. Specific costs can thus be compared visually and effectively. Costs are refigured monthly.

Dr. Yale Brozen, professor of economics at University of Chicago's School of Business, says the best way to control research is to pick the people who really want to do the kind of research that you want done. Through psychological screening, the employee can be matched to the job and the kind of supervision can better be matched to the employee.

Getting the most from research

To get the most from research you must mix the right combination of elements and blend in motivation of the researcher as a catalyst. Some of the elements are organization, supervision, communication and facilities.

Samuel Lenher, vice president of E. I. du Pont de Nemours & Company, explained that in his organization, "We try to develop the administration of research from within by evolution." The young people learn by exposure to their more experienced co-workers. And supervisors can appraise and maintain high standards because of their long-time knowledge of fellow scientists. Some 43 of the 118 top positions in the company are held by men who began as research scientists.

Du Pont encourages its research people to attend professional meetings and publish technical papers. It offers two ladders of advancement, one technical and one administrative. These are examples of opportunities offered in an effort to stimulate greater productivity.

According to Bell Laboratories' Mr. Green, a crucial part of productive research environment is supervision. A horizontal type of organization structure, with as few vertical lines as possible, is best for good communications up and down. Selection and training of supervisors is

extremely important, too. To be successful, he says, a technical supervisor must have a high degree of technical competence along with a skill in handling people. In addition he must be satisfied with the vicarious sense of achievement he gets through watching his subordinates' progress.

Long-range planning and budgeting, even if it has to be revised frequently, has a good effect throughout the research organization, not only in setting goals and limits but in showing researchers that programs are based on definite projections and plans.

Good modern facilities and instruments are necessary, just as adequate salary is a requirement, but intangible elements in the research atmosphere are also considered of great importance in getting the most from researchers. The challenge to find the unknown plus recognition of the individual equals motivation of the research man—if it can be reduced to a formula.

According to Robert Stoltz, senior consultant, McKinsey & Company, Inc., "Many laboratories wouldn't be in such desperate need for creative talent today if they knew how to hold their people by filling their work with challenging problems where they can use their talents."

Some companies are building central research laboratories for long-range work. There the scientists can be isolated from pressures and policies that apply to other personnel. Some companies at the same time are limiting the size of laboratories so that size and complexity of organization don't destroy the atmosphere of creativity. Other companies are making a drive to stamp out yes men and to encourage the individual with original thoughts.

Too much freedom and special treatment can be a danger, however. Mr. Stoltz tells of a motivation survey made among chemists in a pharmaceutical laboratory who consistently said: "Make management leave us alone."

But when the records were checked it was found that the best discoveries were made when management kept the pressure on and demanded results. Management can do this, says Mr. Stoltz, by making the research man a part of the team and letting him in on what is expected.

Probably the more basic the research, the less organization and pressure of commercial enterprise there should be. But as research moves to applied stages, more organization, pressure and controls are necessary, it is generally agreed. END

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CONTROL YOUR OWN SUCCESS

These four steps can help guide your destiny

OF ALL THE UNCERTAINTIES that lie ahead of the business executive, probably the most intriguing for him is the question mark that hangs over his own career. Few men can forecast their advancement with precision.

You can take much of the mystery out of the future, however, and better guide your destiny by following four steps:

- Analyze yourself.
- Appraise your future opportunities.
- Realize which elements you can control and which you can't.
- Formulate a plan of action.

Effective career planning can follow this pattern.

Analyze yourself

One of the most difficult and most important functions in trying to design your future is honest introspection. You must analyze, preferably with professional psychological help, your wants as well as your capacities and aptitudes.

For the executive who has worked his way through an organization and is already expert in one or more skills, career analysis may seem to come too late.

Yet many an executive, after thoughtful contemplation, concludes that—to move ahead in his company—he must chart a new course, learn new skills, develop more breadth. Others may decide they already have what they want. Ma-

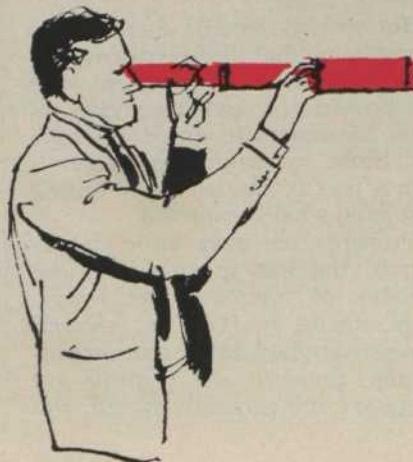
1

Analyze yourself



2

Appraise your
future opportunities



3

Realize elements you
can and cannot control



ture executives, out of habit, may have been striving to reach a higher rung on the organization ladder which only brings more responsibilities in new fields that do not interest them as much as their present duties.

However, even the chief executive of an organization may be called on to decide where his future lies: with his company, with another company or organization, in government service, in teaching or in retirement, for example.

Deciding what you want out of your job means deciding what you want out of life and which of these goals the job can provide. Consultants find that most businessmen list among the important desires and needs of life: respect from others, freedom from unwanted change, new knowledge and understanding, power and authority, independence, self-expression and challenge.

In our culture, the job is usually more important than family background or social position in determining an individual's status. So most people seek work that satisfies some of the important life goals. Those who cannot meet their needs on the job must look elsewhere. The authoritarian who is granted no power in his job may boss his wife and children unmercifully. The prestige-hungry man may seek titled offices in social and civic organizations, if his job doesn't supply his needs.

To be a successful executive, a

man should have a need for power and authority as well as an ability to influence and convince others.

When you decide whether you are getting what you want out of your job and what more you want, these desires must be modified by your ability to achieve these goals.

Your job experience so far probably has pointed up your major strengths and weaknesses. You have some idea of your abilities and capacities as well as your personality traits. If you don't, psychological tests can give you some guidance as to your interests, aptitudes, intelligence and personality. Our knowledge is far from complete in these areas. For instance, a group of five highly intelligent men might possess entirely different talents. There seems to be no family of aptitudes common to intelligence. But psychological tests are useful.

A self-appraisal of past accomplishments and interests and a breakdown of the skills involved in repeated achievements can give some indication of future potential, too.

The ability to get along with people and get things done through people is a most important aptitude for managers. It's thought more important than mental ability, experience, and drive. At least this was expressed recently by a group of executives, psychologists and consultants in a week-long seminar on professional self-development. Brought together by the American Management Association, the group pon-

dered such problems as: fitting managers for responsibility, determining what you want from a job, finding the right spot in an organization, and analyzing your capacity.

In addition to being knowledgeable in how people behave, several other qualities, it is widely agreed, are found among effective executives. Prof. Chris Argyris of Yale University lists them as:

- The ability to work under frustrating or high-pressure circumstances.
- The patience to allow their decisions to be analyzed or pulled apart without feeling hurt.
- The talent to examine themselves and their errors without becoming upset.
- The capacity to accept competition without feeling threatened.
- The ability to criticize without running wild and to take both victory or defeat with emotions kept under control.

Appraise future opportunities

Whether your goal is to hold your present position or move on to another post, a number of factors must be considered. How effective is your performance? How good are your personal relationships with your subordinates, your peers and your superiors? What are your own work characteristics and habits? How might your current job change or be expanded?

If your aim is to move ahead to new responsibilities and authority, you can draw up an informal organization chart listing the men over you and their qualifications, age and potential for advancement. You would also list your fellow competitors with their qualifications for advancement to see how you stack up against them. Often this organization chart you construct on the basis of your knowledge of personalities and politics will be more realistic and revealing than the actual formal organization structure of your company.

In appraising your future opportunities, you should know all that you can about the duties involved in a job you might take over. This seems obvious. But many a manager, after he is promoted, finds that his new position includes functions not apparent from the outside. They may call for adjustments in work habits, new knowledge or great patience in dealing with conflicting personalities.

Note the case of the manager who became assistant to the president of
(continued on page 77)

4

Formulate a plan of action



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Executive Trends

Tomorrow's executive: man of the hour?

From many quarters comes evidence that the businessman is acquiring a new social importance with far-reaching implications for the future.

Dr. Eugene E. Jennings, associate professor of business administration at Michigan State University, says that "in time American citizens will become as conscious of those few men who run our business system as they now are of those people who run our political system."

One reason for this is the growing recognition that the corporation exercises a profound influence on the total character of American life. Executive decisions, one management authority said recently, can no longer be looked upon as internal management problems only. Why not? Because these decisions are crucial to our social, political and psychological well-being as a people.

Conscious of the broadening responsibility of their top men, more and more companies are exposing their executives to outside training which seeks to expand an individual's social and cultural perspective, rather than increase his specific managerial skills.

► At Hamilton, N. Y., this month 15 company presidents will meet under American Management Association auspices to discuss the business executive's expanding social status. They'll consider his role as a leader in the forming of public opinion, his duties as a citizen, all facets of his life which lie outside the area of business management itself.

Business questions value of training

A recent personnel conference had as its theme, "Executive Development Re-examined: Can we distinguish fact from fiction?"

Discussion was spirited, reflecting industry and government's growing desire to test the worth of programs for developing executives. One major manufacturing company is spending more than \$1 million this year to find the answer to this question and to acquire a perceptive over-view of all current efforts in the development of executive talent.

The discussion turned to generalists and specialists. George Watkins, vice president of the Container Corporation of America, warned that the increasing "atomization" of manpower in industry—through specialization—will make the future demand for good generalists acute.

► Mr. Watkins told how a large midwestern company had analyzed its executives, their traits and skills, all the way back to the company's birth. The aim was to see who did best. The study showed, Mr. Watkins says, that it was a rare specialist who became a good top administrator.

Ways to get more from your sales effort

The average salesman uses only about 500 of his 2,000 work hours each year in actual selling.

That's the conclusion reached by Dr. James H. Davis, professor of business organization at Ohio State University, after statistical analysis of the way in which salesmen spend their time.

Dr. Davis says good salesmen increase their personal productivity by cutting down nonessential sales activities, making more attempts to sell (by mentioning more items per call and more reasons to buy), by planning their sales trips scientifically, and by spending less time with poor customers, more time with good ones.

► *Haphazard routing of the salesman's trips is one of the biggest drains on sales efficiency, according to Dr. Davis. Symptoms of this are needless back-tracking and too many trips from the field to the office. Another time waster: driving out of your way to stay in a city overnight instead of in a small town. For other tips on selling see page 32.*

New slant on morale

It's a rare business administrator today who doesn't find much of his time spent on the problem of employe morale.

Many companies make periodic studies—usually with the aid of outside specialists—of the morale level in their organizations, where morale is weak, where it needs improvement.

Howard S. Bretsch, professor of educational administration at the University of Michigan, believes 10 factors insure high morale in an individual.

Chief among these are—1, that the employe know what's going on in the organization that affects him, 2, that he have an opportunity to participate, to feel that he belongs.

► *Other important morale builders are these: that the worker feel that he has mastered some skill essential to the organization's total endeavor; that he feel he is being heard; that he know that channels exist through which he can voice his grievances, and that the worker feel that the company is making a genuine effort to reduce his frustrations to a minimum.*

Debate over brainstorming rages on

Few techniques have generated as much discussion in business management in recent years as that known popularly as "brainstorming," or "group ideation."

But where once its virtues went almost unchallenged, the technique now is running into stiffening opposition.

A recent meeting of training directors in Washington featured impromptu debate on the effectiveness of brainstorming.

"We got 99 ideas in an hour," said one executive, "and none of them turned out to be any good."

Other training officials, however, held that brainstorming encourages a healthy atmosphere of permissiveness if it is practiced throughout an organization.

► *One executive stated that the key to a successful brainstorming session is to keep management strictly out of it. Another urged that one man—someone well versed in the subject to be brainstormed—guide the idea flow. A general reaction of men favorable to the technique was that brainstorming is a useful thing—if you want to permit personnel a release for their inhibitions and a deeper feeling of participation in organization affairs.*

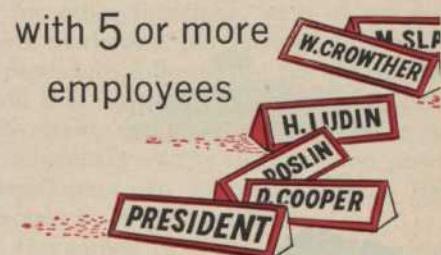
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Plan tomorrow's profits

continued from page 31

Management must evolve a . . .

company philosophy



management set about programming itself out of the predicament.

"What is our philosophy of business?" the company asked itself.

One answer was: "Serving the textile industry."

Along this line of thinking, one attractive course of action opened up: continuing to serve the textile industry by making chemicals for it.

But then as management analyzed further, it realized that the company had developed a skill in making machinery for intricate mechanical processes, constantly making these processes more automatic for greater and greater saving of labor. There must be a place for this elsewhere.

"How can we apply this skill?" company officials asked themselves.

An industrial survey resulted in a decision to go into packaging machinery. Referring to these moves, Frederic W. Howe, Jr., president of the company, reported recently:

"More than \$1.5 million has been contributed from that source to net earnings since diversification started nearly four years ago."

This amount is approximately equal to the company's dividend payments in the past four years.

Scope and pattern of future operations: At this point, a company has already figured: How much business it wants; where its strengths lie, where its limitations are.

Against the background of what's going on in the fields which have been examined, it can assay the new conditions which will affect the nature of the business and provide an opportunity to get into related fields where it is not already operating. It is ready to branch out in ever widening circles as necessary until it gets the best balance between compatibility and attractiveness of opportunity. This is the point where it has to overcome its limitations and take advantage of its strengths.

Such a general process can permit a company such as General Dynamics Corporation to decide to broaden out its status as a submarine builder—it was the Electric Boat Company—and become a defense complex, making a rounded line of products for the military: aircraft, electronic equipment rocket fuels and other things. It could have gone solely into conventional shipbuilding and become a different type of company.

Product or services programming

At this point, phase one has begun to emerge into phase two, which begins with product planning and programming. Once a company decides to add new products, it can acquire them by three courses of action:

1. Internal product development.
2. Acquisition of the company that makes them.
3. Joint venture with another partner to pool resources.

In the first category, an example is the Fostoria Glass Company, which decided to go into the manufacture of a special-material dinnerware and designed its own line after debating and discarding the acquisition of another company.

In the second category, Crompton and Knowles, after deciding to go into the packaging field, chose to acquire the equipment and know-how by buying three other companies.

Litton Industries, Inc., manufacturers of electronic components, provides an example of the steps a company goes through in making long-term strategic product-planning moves to capitalize on the evolving structure of its industry. As its president, Charles B. (Tex) Thornton, described it:

"We attempted to visualize what our company would be like in 1965. To do that, we had to visualize what the industry would be like, what its markets would be, what markets would expand, what others contract, and what factors in timing would be important with respect to entering these markets."

As they sized it up, the Litton people felt they were in an industry—electronic components—which might merge into electronics-consuming industries such as radar, TV, instruments, controls, and so forth.

"When we analyzed what we thought would be the future markets in electronics, one that seemed attractive to us was the business machines market," says Mr. Thornton. "Business machines are, after all, figuring machines or computers. While it is true that it is cheaper to make electromechanical calculating machines today than electronic computers, we are certain that, in the future, the heart of the computational business will be electronic."

"With this kind of reasoning behind us, we took a

subjective look at the Monroe Calculating Machine Company. It had an excellent name. It was seeking the proficiency in advanced computer techniques that we had already developed. At the same time, Monroe had a keen appreciation of the requirements for bringing these new techniques to the market—with a worldwide marketing organization consisting of more than 350 company-owned sales and service branches in the United States and abroad. There were other reasons which brought us together, but the ones I have reviewed constituted the basic motive behind our Monroe acquisition."

Note the processes he went through:

1. Exploration of the long-term markets for his industry. (Electronic components.)
2. Evaluation of business machines as desirable.
3. Analysis of Litton strengths in computer techniques.
4. Analysis of companies in the industry—Monroe having the marketing strength; Litton the technical skills.
5. Decision to combine highly compatible elements.

Programming of company functions

New products and new fields of action chosen, the forward planning enters the third phase where all elements of the program are consolidated into an overall company plan. If the company is multidivisional, this is the point where the divisional plans are sub-

mitted to a central planning staff and pulled together in a company total.

In general, a long-range plan at this stage—say, for a period of five years—will include five basic elements:

1. Sales and profit forecasts for all (new and existing) products by years, including market research and market analysis.
2. Planning of facilities necessary to produce these sales volumes.
3. Setting up divisional and corporate organizations necessary for enlarged requirements and providing for people to staff them.
4. Making financial arrangements to cover capital investment and supply working capital for the next five years.
5. Planning for other functions, such as research and development, marketing, purchasing, etc.

This is the procedure followed by the Chain Belt Company. Chain Belt is a capital goods manufacturer making concrete mixing and placing equipment, materials handling machinery, waste disposal and power transmission equipment. In planning, Chain Belt establishes forecasts in 59 product lines.

Plans of the company's 10 divisions are submitted on a certain day each year to its central planning department. By this means, the company is able to review its five-year plan once each year, adding a year each time. In this way, management can keep updating and in effect maintain a moving or continuous five-year forecasting and planning process.

Since the last three of the four basic elements considered—facilities, organization and finances—generally flow from sales volume, this is the starting point: sales volume forecasts for five years.

Sales volumes involve considerations of productive capacity so the figures must next be analyzed from the standpoint of need for facilities over the five-year period. Then, on the central corporate staff, the vice president in charge of manufacturing confers with the divisions, and a facility or capital plant and equipment program is worked out—timed by years.

Each division manager has already reviewed his existing organization and, in the light of the five-year sales volume forecasts, has constructed an idealized organization chart for five years hence, showing new jobs that may have to be created, as well as possible realignments in organization structure.

These charts are then amalgamated into an over-all company plan.

One of the major phases of organization planning is to project the size of the field sales force to produce the forecasted volume.

If sales volume is to be increased, it is important to recognize future needs for increases in the sales force so that the men can be recruited, trained and worked into the organization.

The company finds that five years is none too long to look ahead in the development of engineering proficiency. This phase of the plan then serves as a guide in the current recruitment of college graduates.

"This question of future organization requirements was dramatized in a rather interesting manner at the divisional managers' review of our first formalized plan," says L. B. McKnight, chairman of Chain Belt. "Every division manager keenly felt and expressed



Plan tomorrow's profits

continued

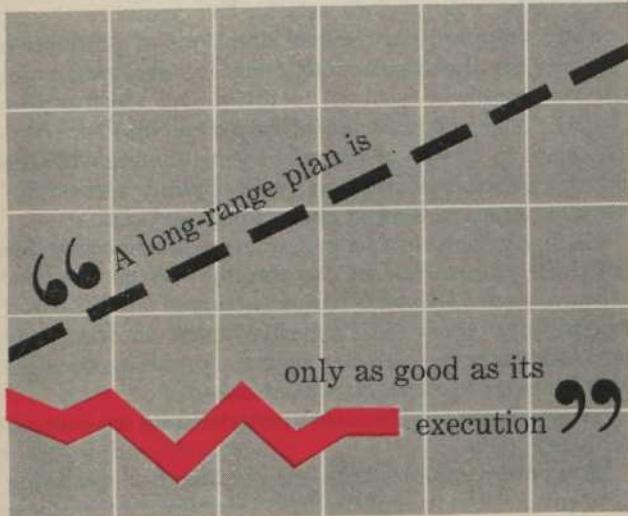
the future need for sales engineers, design engineers, supervisors and other managerial personnel.

"'If this is where we're going,' one of them said, 'where are we going to get the men to sell and engineer and manage all this?'

"Then and there, we decided that the next spring Chain Belt would seek to hire the largest class of college graduates for the student training program that we had ever had. When spring rolled around, we did just that."

Even more important at this stage is the compilation of an inventory of what talents are in the company for expanded operations and an appraisal of the training that each individual needs to take over new units or functions. The next step is to provide that training.

The financial element of a long-range plan likewise develops from the sales volume forecasts and from the



capital requirements set out in the facilities plan. *Pro forma* company profit and loss statements and balance sheets can be checked out to general objective ratios for return on sales, return on investment, earnings per share and dividends. Similarly, future needs for money can be shown. Working money needs out ahead of time gives the company a flexibility and ability to move promptly when special opportunities present themselves and when the money market is favorable.

Corollary company plans also evolve in the course of the long-range programming: for research and development, purchasing and other departments which by their nature need to work far in advance.

Executing these programs

At Chain Belt, all the various elements of the five-year plan are assembled in a 15-page summary which serves as a running guide to management.

"Probably the greatest value in this sort of approach," says Arthur J. Frank, the company's planning manager, "is the discipline we put ourselves through in conducting a formalized exercise like this."

In the experience of companies that have done it, long-range planning has these advantages:

1. It guides management in conforming everyday company decision and action to over-all company philosophy and objective.
2. It provides a framework for the chief executive in planning the company's future.
3. It provides a guide for addition or deletion of products.
4. It guides personnel recruitment, training and development.
5. It serves as a background for financial control.
6. It serves as a morale builder for the younger management group.
7. It develops the habit of organized thinking and planning at all levels of management.

"A long-range plan is only as good as its execution," says Harry Beggs, a partner in Cresap, McCormick and Paget, management consultants. "I've seen many a long-range plan that didn't work because it didn't establish controls that would give operating personnel the kind of data they needed to implement their standards and maintain flexibility."

"You must know at all times how your predictions are coming out. You must know the dollars and cents effects on profits that are due to variations from these predictions."

Through a properly constructed plan, operating managers down the line are provided with data which give them an understanding of how each manager's current operations tie in with continuing profit and growth.

This gives them a basis for appraising their own job progress.

Department heads review the annual budget each quarter to check on the planned course of sales, share of the market, profit returns and other key indicators. Then, they tie their short-range plans to the future corporate program.

Finally, they review the long-term budget each year to see what progress each division and the company is making toward their eventual goals.

—PHILIP GUSTAFSON

REPRINTS of "Plan Tomorrow's Profits" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.

Mileposts on your road to success can be formed as a series of goals

his firm. He was in the new job a month before he learned he would take over a number of minor speaking assignments in remote cities which the president didn't want to accept. Or note the new department head who found in his new assignment that he would have to work regularly on a small committee headed by an arch enemy.

Since your advancement in your company is frequently related to company growth, an estimate of growth potential in your industry and a knowledge of competition and economic trends is valuable.

In sizing up your opportunities for advancement it would pay to find out what program exists within your organization for developing managers. Are there formal development or training devices, such as seminars or courses, offered in or outside the company? Is affiliation with professional associations or societies encouraged? Is there accurate job description and job evaluation? Is there job rotation to increase experience? Do managers have an opportunity to follow through on their ideas and learn through their own mistakes?

Another obviously important consideration to managers is compensation. Exact salary and bonus figures for executive positions aren't always easy to find out. But information on the forms of compensation at various levels on the executive scale and pay ranges is usually available. Size of an organization, the intensity of competition in the industry, performance of the company and the extent of governmental regulation as well as executive supply and demand, determine the size of salaries.

Elements of control

Some personnel people feel that man is the prisoner of his past experiences and that his pattern of development is established early. Others feel that an individual has the capacity to develop to an unlimited degree, that his abilities will increase with his drive to build them. Certainly our talents and energy are limited to some extent by the time and environment in which they can be used.

No matter how effective you seem to be in your job, your success and

progress ultimately are determined by your boss according to his own method of evaluation. He may be helped in this evaluation by recommendations and opinions from colleagues and by ratings and tests. But the decision as to your advancement is largely up to him.

Subjective appraisals of personnel based on personalities and politics have caused many a manager to leave an organization. Politics is inevitable in many organizations and some persons will move ahead on a basis other than by their professional merit. Understanding personalities and politics and operating within this framework is usually necessary. Playing politics and

You do have some control over your future as far as what experience and training you acquire, how well you choose to apply it and where you use it.

Formulate a plan

Once you have analyzed yourself, decided on your goals, appraised your ability and potential and estimated the opportunities which seem best to match your abilities and interests, you can start moving in the direction of these goals. You can even set yearly or five-year benchmarks or subgoals along the way to the ultimate goal.

If you expect to make a success of being an executive, you probably like to do these activities which surveys show that managers like most:

Direct things, engage in many and varied activities, accept challenges, solve problems and make decisions.

"Let your light so shine before men that they may see your good works" is sound advice to those who want to get ahead. Your good works can be brought to the attention of your superiors in a number of ways. First you should become highly qualified in all areas of your present position. You should make sure you qualify for a higher position if you expect to win promotion. You should demonstrate an understanding of higher responsibility, a willingness to undertake it and win some acceptance by the people with whom you must deal.

You can offer suggestions and ideas for new programs that anticipate new trends and developments. You can expand your job horizontally to enlarge your specific duties. You can study your immediate superior and how he operates. You can develop one or more understudies who can replace you if you are picked for promotion. You can take advantage of every opportunity to increase your knowledge and experience where it will help you in your career.

Finally, you should make sure your work goals are consistent with your life goals because this will make your work all the more enjoyable and satisfying. If you can succeed in doing this, you will have become eminently successful, even apart from the heights you may reach on the executive pyramid. **END**

REPRINTS of "Control Your Own Success" may be obtained for 10 cents a copy or \$6.75 per 100 postpaid from Nation's Business, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance with order.

men of thought and action

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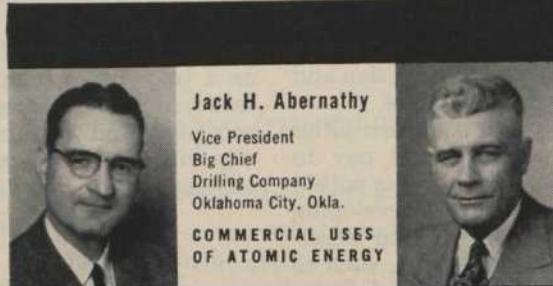
Out of their studies come proposals for policy declarations to be voted on by the Chamber's membership. Out of their studies also come ideas and suggestions for new Chamber projects and activities.

For information about what the Chamber is accomplishing these days for the good of business, and for the greater good of all, write for a free copy of our progress report, "The Work of the National Chamber."

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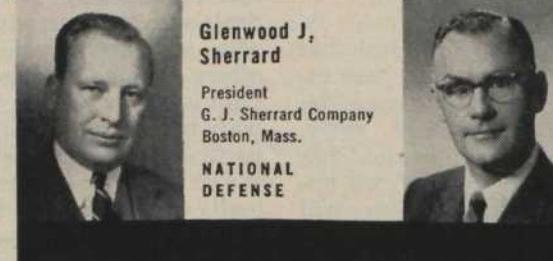
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Make everybody's job a challenge

7 practical considerations help to keep workers happy and effective

ONE OF THE BEST KEPT secrets in all management enterprise today is what is happening to men in middle management. Top executives are willing to swap information on their cost-cutting measures, labor relations, market research techniques, automation, the troubles encountered in mergers and other common interests. But a zone of silence surrounds the middle managers.

Back of this silence a crisis is brewing.

Middle-managers have become the forgotten, neglected men of business and industry. They have been by-passed, uninvited, cut off from the vital affairs of the company, at times maligned.

Unless we overcome our preoccupation with job satisfactions for blue-collar workers, clerks, typists and stenographers, long enough to probe what life is like among the middle managers, we are going to be making inadequate use of the kind of seasoned, hard-to-find manpower that companies need if they are to expand, diversify, decentralize, develop and market new products and make other breakthroughs to rise above the competition.

If we maintain the present attitude of going through the motions of having middle managers believe they are in the management partnership but at the same time cut them off from policy background, communication, management participation, authority and decisions, we can expect one of three results:

- Minimum output, mediocre performance.
- Resignations in droves for positions elsewhere.
- Resentful, embittered employes who have not realized their ambitions.

The problem is complex. There just isn't room at the top for all middle managers. Most of them will probably not rise much beyond their present levels despite additional experience and participation in training programs. Yet we live under a cult of success which regards a man as an also-ran, a nonpromotable, a failure if he does not make the front office executive ranks.

This leaves many men in the middle management levels with a wounded human psyche from which it is not easy to recover.

What is needed here is not soft paternalism, social workers or chaplains. If we are to tap the vast fund of available manpower right within our companies we need, in addition to recognizing the underpinning to the problem:

1. A new concept of what constitutes managerial success—one which will relieve us of the Horatio Alger climb-to-the-top-rung-of-the-ladder doctrine, and make it clear that certain kinds of achievement within the middle management level are of themselves success of a high order.

2. A meaningful, productive, and dignified place in the organization despite the fact that one's prospects for promotion may be slim—and to reinforce this through better and more active personal relationship between the middle manager, his boss, and his boss's boss.

3. More realistic judging of middle managers. The personnel department can do our bookkeeping but it cannot do our work. In the long run management must use its own judgment in assessing the middle manager and his performance. It cannot default its prime responsibility for talking things over and providing personalized executive coaching which is due the middle manager.

4. A salary administration scheme which is realistic in holding competent middle managers who are generally in the middle income group and must maintain certain economic standards in their communities and in representing their executive echelon.

5. An understanding of middle management as a way of life with its own values, pride in technical competency and carry-through of policies, standards, beliefs, reconciliations, anxieties, struggles, sense of achievement, symbols of recognition, informal cliques, outlook on life, perceptions, and many other intangibles.

bles. We can do a better job of understanding, assessing, and motivating middle managers once we know better what makes them tick.

6. Equity and opportunity to share in the affairs of the business, the matter of promotability or nonpromotability notwithstanding, if we mean what we preach about participation and consultative management.

7. Re-examination of our business organizations to see where we can reinforce middle managers' knowledge, technical competence and experience with clear organizational authority that is commensurate with their responsibilities as managers.

This is not a plea for the middle manager who does not measure up after a reasonable period in which there are plenty of opportunities; nor for the man who has been misplaced; nor for him who has developed poor attitudes and poor work habits and has taken to ill-advised escapes after 5 p.m. Neither is it a plea for the crown prince who has been moved up too high, too fast, and is now unable to measure up to predictions.

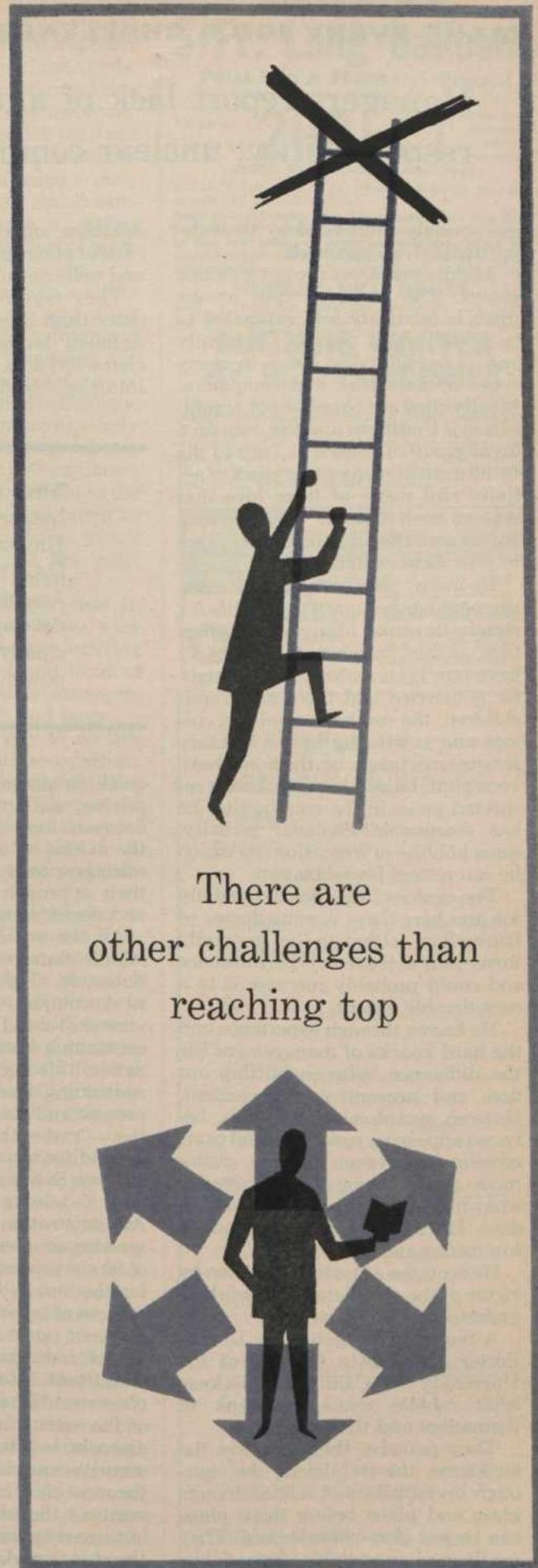
The case before us is the middle manager who, promotable or nonpromotable, turns in a satisfactory performance on the job daily. He can probably improve his performance to a considerable extent and still has some 15 to 20 years ahead in productive and valuable service for the company. How do we recharge his battery so that we get more performance and more mileage from him—and the thousands like him in companies throughout the nation?

For lack of a more precise definition, the middle management people we are talking about fall between the policy-making level and operative supervision. They are expected to translate general policies and broad plans into specific workable programs and systems, to interpret management to their subordinates and to interpret prevailing supervisory and employee needs, attitudes, and problems to upper management.

With this kind of framework it is clear that in some companies there may be virtually no middle managers, while firms with a number of organizational levels may have many middle managers—in fact, in the large organizations you have to identify them more accurately as the upper middle, the middle middle, and the lower middle. You can't classify them by title for the most part—the director of purchasing may be top management in one company and middle management in another.

This may be true, too, of the chief industrial engineer, the public relations officer, or some other position. Typical positions middle managers occupy include regional sales manager, department head, assistant public relations director, accounting supervisor, traffic manager, chief purchasing agent, and other posts.

Middle managers are generally between 40 and 55 years old, earn about \$12,500 a year, exclusive of other salary incentives and fringe benefits, have been in the industry or field for some 20 years, have from seven to 10 years of management experience, and are in the squeeze between the top executives and other administrators near the top to whom they report, the operating supervisors who report to them, and a host of associates laterally in the middle management levels. They come from engineering, sales, accounting, manufacturing, purchasing, and other areas and



There are
other challenges than
reaching top

Managers report lack of authority for responsibility, unclear company policy

are strongly influenced by their departmental backgrounds.

Middle managers are not a mobile group. The turnover rate among them is relatively low, estimated to be about seven per cent generally and is considerably lower in many types of industries and companies. Mostly they are conscious of organizational traditions and ties, remain a loyal group of employees, look to the fulfillment of many more years of activity and many of them love that system even though they are unhappy over the organization's failure to give them recognition.

In many instances middle management has become a way of life for men in its ranks. Many of the things they aspired to when they were 21 have now been realized—the daughter is married and there are grandchildren, the son has completed college and is winding up his military service, mortgages on the home have been paid, he and his wife have a respected place in the community, he has reasonable financial security, some hobbies or avocations to which he can retreat for relaxation.

The center of life then is the daily job and here there is some degree of frustration, although he generally turns in a satisfactory performance and could probably increase it to a considerable extent.

He knows through experience and the hard knocks of management life the difference between putting out fires and preventive management, between symptoms and causes, between appeasing resistance and overcoming it, between holding customers and winning them, between what management says and what it does. He is aware of the impact of top management boners.

He occupies a strategic position by virtue of the completed staff work he undertakes and forwards.

A recent investigation by Lyman Porter and Edwin Ghiselli of the University of California discloses what middle managers think of themselves and their role:

They perceive themselves as the backbone, the stabilizers, the thorough investigators of management's ideas and plans before these plans can be put into extensive use. They see themselves as stable, dependable, deliberate, practical, careful to avoid

mistakes, and characterized by their careful planning, thoughtful actions, and well controlled behavior.

They perceive themselves differently from those in the upper management levels who, among other characteristics, regard themselves as intuitive, bold, daring, dynamic,

move up to higher executive echelons, there is no very conclusive answer. No sound study of middle managers in particular has been made. For one thing, we are uncertain whether the term "failure" is valid, or whether we are willing to attribute the failure to the company environment, the organization and its setup or the individual himself.

Men who have reached a plateau in their careers might be discontented for the lack of meaningful, challenging work or lack of prestige and recognition, but they might not be discontented for lack of moving another rung up the ladder and they

The author, Dr. Nathaniel Stewart lectures in business administration at The George Washington University and at American University in Washington, D.C. He also lectures for the American Management Association, and is a former director of management development for GEICO, Inc., Dr. Stewart serves principally as staff adviser, Industrial Relations and Manpower, Navy Department.

quick to size up a situation, enterprising, and able to see the close tie between long-range objectives and the taking of risks. Many middle managers tend to go by the book in their approach to problem-analysis and decision-making.

All the critics do not agree with middle management's self-appraisal. Some do. The vice president of a steel company has expressed the view that middle managers are "the continuing backbone of the organization." He says we must stress their continuing development within their present and subsequent responsibilities—"rather than as a mere training ground for top management."

Dean Stanley F. Teele of the Harvard Graduate School of Business Administration forecasts that, in the growing economy and the expansion of foreign operations, we must search for the new talents and new combinations of talent within middle management ranks and other sources.

But industrial psychologist and consultant, Robert N. McMurry, observes: "I have become conscious of the extent to which middle management is composed principally of security-conscious, anxious, and, for the most part, ineffective people who want all the trappings of authority but are reluctant to exhibit it when the chips are down."

To the question why men fail to

do not necessarily regard it as failure. Many men, especially those in the research and development field with strong ties to their engineering or scientific discipline, want no part of administration and thereby place a ceiling on their own growth in the company. This may be true, too, in the case of middle managers who don't want to accept a geographic change when the company asks them to relocate. Is this "failure"? There certainly is a fertile field for investigation here.

By this concept, Thomas A. Edison, Daniel Webster, Saint Francis of Assisi, Jonas Salk, Robert Taft, Clarence Mackay and others could have been written off as failures at one time.

Whether middle management is as good as it believes itself or as bad as its critics say, the fact remains that, if we are to find as much executive talent as we need, we must take full advantage of what is now available in our own organizations. Right now we do not know or fully appreciate the quality potential right under our noses to be tapped from middle management.

The Graduate School of Business Administration of the University of California at Los Angeles surveyed some 30 fast-growing companies in the western region and concluded that in only four did top manage-

ment make good use of middle management. The Civilian Personnel Advisory Committee to the Assistant Secretary of the Army recently pointed to an Army-wide weakness in the middle management levels of its civilian managers with large responsibilities here and abroad. It blamed this weakness largely on the emphasis given to the development of top managers at one pole and first-line supervisors at the other. Keith Davis, in his recent book, "Human Relations in Business," reports the sentiment of many middle managers as voiced by one such manager:

"We sit here all day pushing papers from top to bottom and back again. . . . All the while we are left out of actual operations at the bottom and we don't take part in decisions at the top. . . . We just push." His predicament is put differently by another middle manager who stated: "We call our middle managers 'fenders' because they take all the dirt from the 'Big Wheels.'"

Other investigators have noted the decline in middle management because of mounting organizational controls and devices and the increasing burden of rules, procedures, systems, red tape, and elaborate channels for getting clearance, approvals, and decisions in matters over which they formerly could exercise their own judgment.

A survey of some 500 middle management men and more than 1,000 foremen on "How Middle Management Feels About Its Status" points up some of the difficulties which result in the underutilization. The findings focus on the lack of resources, relationships, and the uncertainties which make it difficult for a man to utilize his abilities fully. About 50 per cent answered "uncertain," "poor," or "only fair" to the question whether they had sufficient information or working knowledge to do the job they are expected to do; between 30 per cent and 40 per cent reported that they did not really know the limits of their authority; a similar percentage expressed doubt in regard to whether they knew the boundaries of their main responsibilities. Asked whether they felt they had enough authority to carry out their responsibilities, more than 25 per cent responded, "No." The percentage of those who were uncertain whether they are really part of management approached 35 per cent.

To the fundamental questions concerning over-all organizational structure and policy, from 40 per cent to 50 per cent reported that their understanding of company structure was only partly clear or not clear. From

42 per cent to 52 per cent indicated that their understanding of company policies was unclear or inadequate.

Obviously we are not providing middle managers, in many instances, with "an objective to which they can be of real service" and, we are denying them "the sense of being a partner in the undertaking." Small wonder, then, that we face a serious problem of underutilization of managerial talent.

Let's borrow a page from another manpower shortage area and carry through an analogy. When there was a serious shortage of engineers, Dr. Lee A. DuBridge, president of California Institute of Technology, stated: "If we could improve by only five per cent the efficiency of our utilization of the 600,000 engineers we already have, we would add to the total supply of engineering talent as much (30,000) as all of this year's new graduates from all the engineering schools in the nation."

This could well be the case in management manpower if we were to up the utilization of the existing brainpower and talent and fund of experience of our middle managers in companies, medium and large.

There is no better way to do this than to give him full recognition, help him awaken to the possibilities of worth-while accomplishment in his present job and to be aware of what happens to him when he is passed by. Steps toward accomplishing this include:

Keep him informed of what goes on in the organization, improve communication, so that he can have the substance to think like a manager and not a technician. Nothing is more demoralizing to a middle manager than to be uninformed on matters on which he should be informed in order to interpret policy to his subordinates and meet his own responsibilities.

Bolster his ego by making full use of his abilities, tapping his productivity, and seeing to it that he has a meaningful place in the organization. This is the key to maintaining his self-respect and earning his way on the payroll, even though the trappings of organizational status are not available.

Give him assignments which will make him stretch just a little higher and with just a little tighter deadline, but still within reasonable bounds of attainment, if you want to counteract lethargy from setting into the middle management ranks—and have sound standards of performance. Extend these assignments to the day-to-day job, to work on committees, on special projects, and

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Needed: a clearer understanding of the factors that constitute success

other work. Show acceptance of his middle-management role, his ideas and proposals, his recommendations, and his part in staff meetings and councils. Much of his enthusiasm has already been stifled but it is not too late to mend it. He once had ideas and suggestions and a good deal on the ball—he may still have much of it. Your executive coaching should help bring it out.

Encourage him to participate in professional and fraternal organizations and to be reasonably active in civic and community affairs. It is one good way to energize him; it is a form of self-development and, above all, it will help in some measure to counteract the intensity of his anxieties in his daily job.

Take a good hard look at decision-making in the organization to see how much of it can be delegated down to middle management where many decisions should be made. The opportunity to make good decisions can do much to restore self-confidence and improve morale.

Use your management development program to provide a greater degree of advanced specialization if this is what he needs to reinforce his general management background or to be brought up to date; and provide a broader management base for him if this is what he needs to reinforce his usefulness as a specialist.

Keep working seriously on the problem of salary administration for middle management to provide financial incentive where the promotability slots are few and infrequent. Reinforce it with job evaluation and job enlargement at the same time to the extent possible.

Shift gears from a line operating position to a staff position where his talents can be used to full advantage, if this is possible without serious morale impact on others. But—avoid face-saving gimmicks such as setting up a dummy position for him.

Avoid the double talk about the middle manager's responsibility and authority. You and he know how much responsibility and authority he really has. There is nothing so frustrating as a dead job description. Modify it in the best interests of the man, the job, and the organization.

After many years we are now looking back on the wisdom of Chester

Barnard, one of the management pioneers, who saw executive behavior as the integrated product of individual abilities, the organizational structure, authority, and climate, and the shifting relationships and responsibilities within the man's job.

Top management must better monitor the personnel policies of the organization, especially as they affect middle managers. Personnel departments will have to alter some of their ideas concerning "personality types" and "young management" as the bridge to growth management. They will have to play down the overemphasis on tests, which have little validation in the tough and

ter directed. If the yield from executive training provides nothing more than a change in the executive's outlook so that he can comprehend how it looks from where the other fellow sits in the organization—then it is needed as urgently in middle management as elsewhere.

As for the man himself, he must recognize that this is the way of life, and he must reconstruct his personal life, outlook, and values and learn to live without certain symbols of prestige and attainment. He must come to realize and believe that the middle years are the years of most constructive thinking and the most productive span of life just as the younger years are the most creative and the most energetic. This is the test of his personal maturity and is more important than bolstering his ego.

Finally, the management profession must rethink its classical concept of success. In other fields, such as medicine, law, journalism, education, the ministry, public service, and

Help for 10 million businesses

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complex middle management area. And they will have to rid themselves of the notion that a salary increase is enough of a tranquilizer for the middle manager. If ever the personnel function has been put to the test, the problem of assisting the company in tapping the large fund of productivity of the middle managers for the next 15 to 20 years of their careers will certainly provide that test.

We must also question whether the executive training programs should continue to be reserved for the promotables, or spread over the larger base of all managerial personnel. In many companies we select the promotables for the special university-related or professional society programs of advanced management and provide the nonpromotables in middle management with an internal program which is merely a warmed-over dish of supervisory training. Surely, our investments in management training might be bet-

others, the sense of personal achievement, pride in contribution, and recognition is much healthier in the middle management ranks. Many men in these fields attain prestige, distinction, awards, rewards, and a deep sense of personal achievement right within the middle ranks until the closing days of their professional lives. The business and industry concept that anything short of front-office executive attainment is failure must be counteracted. We need to make it clear that certain achievements within the middle management level of responsibilities are successes of which both individuals and organizations may well be proud.

There are more casualties than we would care to believe, and the losses are in terms of personal defeat and corporate neglect in the use of a valuable fund of manpower. Unless we take stock soon we run the risk of a crisis in middle management.

—DR. NATHANIEL STEWART

ENJOY YOUR JOB

continued from page 35

Number one challenge is building people

with many years ahead of them before retirement.

For some middle and upper managers, many of life's goals have been attained: The children are educated and married, the home is paid for, the insurance is paid up, the executive heights have been reached. The challenge is gone.

Industrial executives, however, can find enjoyment to surpass any of the frustration in their jobs. Although some large organizations can become bureaucracies with layers of authority that stifle creativity, most businesses certainly aren't functioning that way today, comments Mr. Muller-Thym. They are dynamic and growing. The large organizations, for instance, provide large opportunities, responsibilities and great varieties of challenges to the creative talents of their executives. They offer a source of pride in the company's reputation and its impact on the economy.

Natural tensions arising from competition and demands on abilities and energies now and then are beneficial. "Being keyed up by the excitement of an important action that must be taken helps you deliver with maximum punch," explains Dr. Felix. "Your reaction time is faster, you are keener and usually you don't tire until the job is done." So for those irregular times when peak performance is required, your tensions can help you.

Job satisfaction and productivity

Executives can reach a higher level of job enjoyment and satisfaction and at the same time increase their effectiveness and the productivity of their subordinates. This fortunate fact can be realized in several ways.

Dr. Farr, who is a psychological consultant to top management in the field of managerial effectiveness, suggests these steps:

►Deliberately begin to see your job, not as managing a business so much as managing people, and set this as a number one challenge.

The responsibility of getting other people to do the job that is to be done



I'll join . . . but that's all!

"I realize, Pete, that you fellows at our local chamber of commerce have a big job to do, and that you are working for the good of our town as a whole. So I'll lend you my support by signing up as a member—but I just haven't the time to participate in your activities."

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HOW TO ENJOY YOUR JOB *continued*

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These suggestions adapted to your work can build satisfaction, job effectiveness

will undoubtedly increase the scope of your position. The more effective you become, the more successful your department or organization or company can become and the more satisfaction you can attain from this accomplishment.

A common problem in the business world is that the man who built up a company is aggressive, confident, even egotistical. He frequently doesn't delegate authority to his subordinates. So, although he is a business builder, he's not a people builder. "Building people is far more challenging and satisfying work," insists Dr. Farr.

► Start thinking about what you will do in guiding your company's destiny and let your subordinates decide how it will be done.

Dr. Farr says too many executives have a narrow concept about authority; they don't let their people have the responsibility for planning and organizing the way in which some project or policy will be carried out.

► Develop the habit of asking yourself what you are worrying about. Don't let anxiety build up.

Anxiety exaggerates the harmful elements of a situation. You can seek the answers from subordinates, associates or superiors, depending on what the worry is. It is particularly common for anxiety to build up in a manager who hesitates to ask for a full explanation of an order or policy because he believes he might give his boss the impression he is confused or not sharp enough to interpret the meaning of an instruction.

► Give your subordinates every opportunity to measure and judge themselves.

They are effective because their superior says they are, or because they have some other means by which they may measure and realize their accomplishments.

All of these suggestions are aimed at enabling you to manage more effectively, more productively and with greater satisfaction.

Careful selection of your subordinates helps assure more job enjoyment, says Dr. Felix. You should have confidence in their professional or technical abilities and confidence in them as people with integrity, loy-

alty and discretion, he adds. The executive who knows he makes mistakes and has people who will frankly tell him about them has more security in administrating, Dr. Felix maintains. "To keep this kind of staff, give them a chance to come up with ideas and never take credit for their ideas," he adds. "Creative people are what make organizations great."

The conditions under which greatest productivity can be achieved are without question the same conditions which provide maximum job satisfaction, according to Mr. Muller-Thym.

Those companies that are diverse and growing provide opportunities for maximum energies, intelligence and decision-making. Managerial satisfaction comes from these growth conditions.

Mr. Canny emphasizes the importance of proper placement. This exists when executives are in jobs where there is just enough room for them to grow.

This makes for top performance and satisfaction. Full communication through an organization, so that managers know about the important decisions that are being made, also aids managerial effectiveness and job satisfaction.

Even a manager who sees the promotion path clogged can set goals and challenges for himself that can yield productivity and satisfaction of accomplishment simultaneously. He can set his sights on new sales or profits or other targets that he can achieve in his present job with his present authority.

Great creative satisfactions can be derived from helping to run a producing organization, properly conceived and planned, which serves the public need and becomes a source of financial gain to many, according to Dr. Felix.

These satisfactions can be rich and full if the administrator has a philosophy he believes in and a clear sense of values to guide him. **END**

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This fiscal forecast has been made with an air of finality and accepted with quiet resignation.

A year ago the announcement that federal spending was expected to total \$72 billion for fiscal 1958 united the people at large and congressmen in a drive toward government economy. This drive showed many places where continued effort could eliminate waste and inefficiency. It justified hope of eventual tax reform, sensible depreciation rates and a lessening of public demand that the government constantly expand its paternalistic services.

Then Russia demonstrated an unexpected technical competence and at the same time our own business growth hesitated. To parry these dissimilar threats the single cure was proposed:

"The government must spend more money."

Economy talk henceforth became unpatriotic.

Although estimates for expenditures in fiscal 1959 reach up to \$80 billion and anticipated government income may drop to \$68 billion, few voices are raised in protest.

As Rep. Clarence Cannon of Missouri told the House of Representatives:

"The most alarming feature is that nobody is alarmed. I cannot recall a single instance in which any member of the House in all the debate on these bills appropriating millions and billions of dollars has referred to the effect which the expenditure would have on the balance in the Treasury, the national debt, or the financial preparedness of the nation for war or other catastrophe.

"It has grown unpopular here on the floor even to mention balancing the budget."

In this atmosphere Congress added its bit to the budget's imbalance by increasing several appropriations even beyond the budget requests. It raised the supplemental appropriation for the Labor Department by \$20 million. To the Interior Department, for which

\$414.8 million was asked, it granted \$459.6 million; to the Treasury, which asked \$699.3 million, it gave \$704.6 million; to independent offices for which \$5.9 billion was asked, the House proposed \$6.5 billion, the Senate \$6.1 billion.

If the road to national salvation were really paved with dollars such free spending might be commendable.

But Robert E. Merriam, deputy director of the Bureau of the Budget, has pointed out, "Neither changing needs nor an interruption in economic growth provide any excuse for loading vast new expenditures on the federal government; for unnecessarily shifting responsibilities from private enterprises or from state and local governments."

In fact, both sputnik and the recession have made the goals of last year's economy drive more urgent than ever.

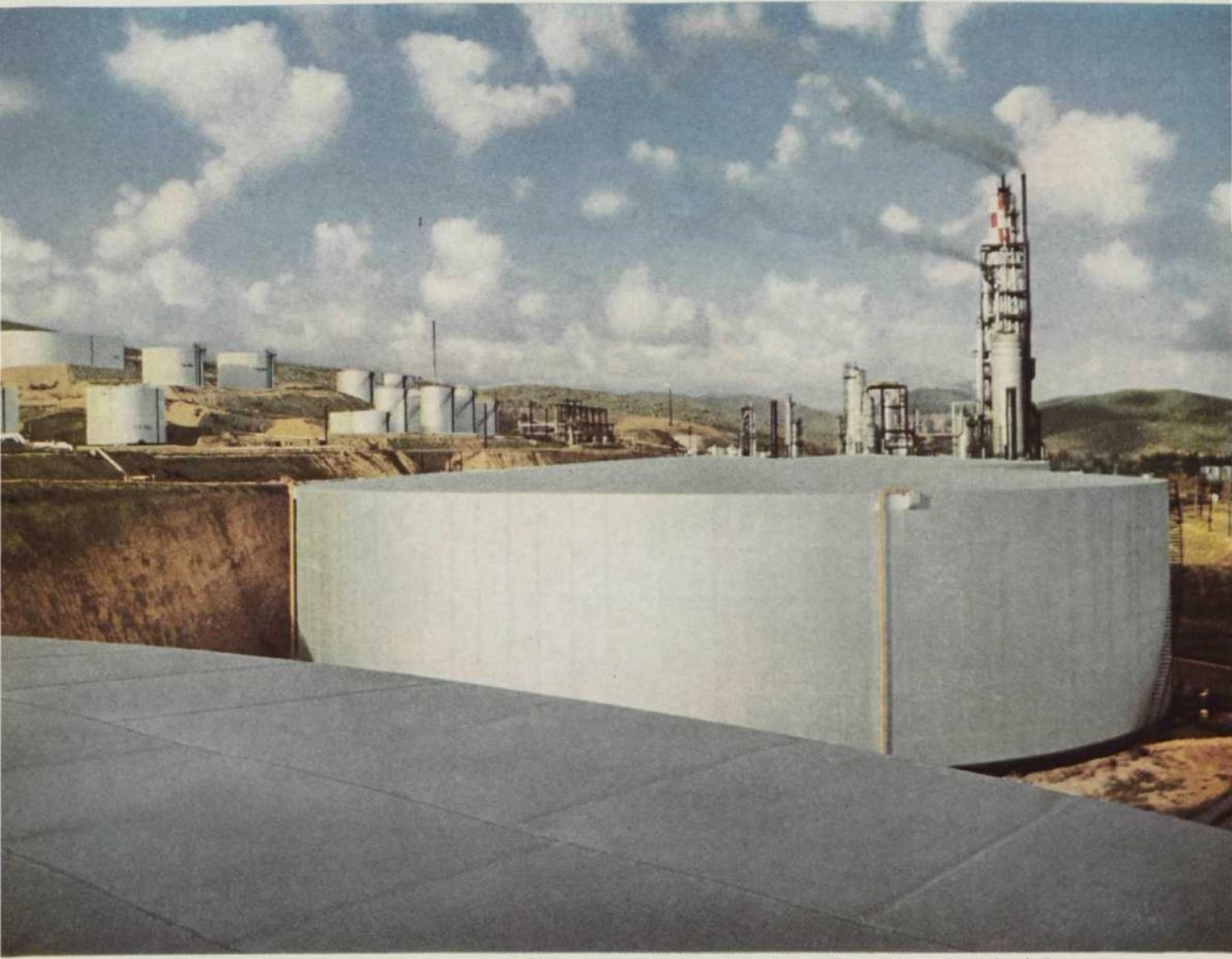
Government inefficiency will hinder rather than help a missile program, no matter how much money is available for spending. A business system will grow faster if freed from the blight of government competition, restriction and waste.

The government must spend what is necessary to meet challenges to our safety or prosperity. But we need to remember that it is not the spending that brings security. We had money enough to get nine satellites to the launching pad but only enough technology to get three into orbit.

Dollars spent carelessly or for the wrong things can do more harm than good. The way to prevent this kind of spending, as Mr. Merriam says, is for all of us "to know what is going on, to make our voices felt, to participate in decision-making."

The goals of last year's economy drive are still attainable. They will contribute to defense and prosperity. The type of citizenship that dares to speak up against reckless spending is needed today as it has seldom been needed in the past.

"We have played into the enemy's hands," Mr. Cannon told the House. "We are bankrupting the nation at a time when we should be saving our money, reducing our debt and preparing to meet the enemy, both economically and militarily."



Storage tanks and cat crackers at the Commonwealth Oil Refinery, near Guayanilla—on Puerto Rico's South Coast.

New oil refinery expands industrial opportunity in Puerto Rico

THIS \$56,000,000 oil refinery is part of Operation Bootstrap—Puerto Rico's dramatic drive to attract new industry. It is now producing 55,000 barrels of petroleum products per day.

This great refinery gives Puerto Rico a base for a new petrochemical industry.

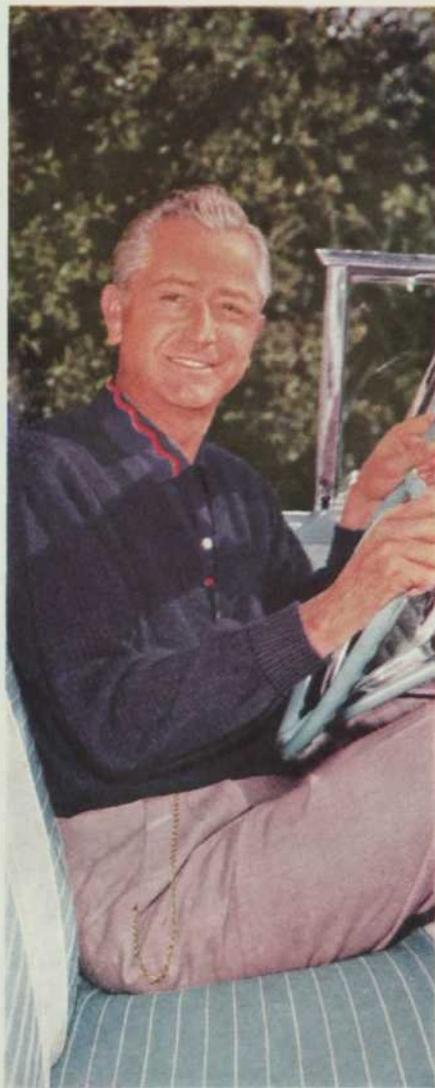
Already, Union Carbide is building a \$32,000,000 plant nearby to manufacture petrochemicals. And other firms are projecting the construction of plants that will make plastics and synthetic fibers for Puerto Rico's

busy textile and moulding industries.

Such developments are significant. They show how Puerto Rico's prosperity is gathering impetus. One factory is beginning to serve another. A pattern of *integrated* industry is starting to emerge.

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